

MARCORUBIO

MARCO RUBIO

Growing up, I knew America was special. I knew this because it's what my parents taught me. But I also knew it because I saw it play out before my eyes. Though my parents went through some tough years, I knew my childhood was one of privilege – because I was an American.

At times in our history, the American Dream that my parents achieved has been so widespread that we have taken it for granted. But today, things are different. It has gotten harder for many to access our nation's promise. Wages have stagnated; everyday costs have risen; industries that once flourished have dried up, their jobs shipped overseas or lost to automation; and millions go to sleep each night overcome with the sense that they are one bad break away from financial ruin.

The current administration was elected on the promise that it could help those who are struggling, and we do not doubt this President's intentions were genuine. But the ideas he has pursued do not work. They are about pouring more money into policies and programs designed to meet the needs of the 1930s or '40s or '50s, even though the world has changed dramatically since then.

High-skilled jobs have replaced the low-skilled jobs of the past. Higher education is no longer an option for some, it is now a necessity for all. Global competition requires us to compete for investment and innovation. And single parent homes – led by young women who must play the role of mother, father, provider and tutor all by themselves – are commonplace.

If we want to restore the American Dream in this new century, we need ideas rooted in this new century. The education system of the 1950s will not prepare our children for success. The policies of the 1960s intended to combat poverty will not help the struggling escape their circumstances. And the fiscal policies of the 1980s will not fully address the challenges and opportunities of our post-industrial economy.

This new era requires new ideas – still rooted in the principles of free enterprise, limited government and individual responsibility – but adjusted to meet the new challenges of a new day.

I spent 2014 offering policies designed to lead this transformation. They are built on a foundation of basic truths about America: that government exists to empower its people, not people to empower their government. And that our free enterprise economy is the greatest generator of opportunity and prosperity in human history.

These ideas are designed to address fundamental facts about the world we live in now: that we must win the global competition for talent, investment and innovation. And we must give our people the skills and education they need for the good paying jobs this new century will provide.

Every generation has been called upon to confront challenges. And every generation has succeeded in preserving the American Dream for their children and grandchildren. Now it is our turn. We will either adapt to a new era and bring about another American Century or, like so many nations before us, our inability to address new realities will usher in our decline.

So when the world looks back decades from now, let it be said that we came together as one people, and set out together to reclaim the greatest nation the world has ever known.





SENATOR RUBIO'S IDEAS For Reclaiming The American Dream
SENATOR RUBIO'S MAIDEN FLOOR SPEECH To the United States Senate, on June 14, 2011
CHALLENGE ONE: Reforming America's Anti-Poverty Programs
CHALLENGE TWO: Reforming America's Higher-Education System
CHALLENGE THREE: Reforms To Spark Economic Growth
CHALLENGE FOUR: Reforms To Ensure A Secure Retirement For Seniors 45
CHALLENGE FIVE: Reforms To Promote Financial Security For Families 58
CHALLENGE SIX: Strong Values For A Strong America
CHALLENGE SEVEN: Reforms To Promote American Strength



SENATOR RUBIO'S IDEAS FOR RECLAIMING THE AMERICAN DREAM

IDEA #1: Flex Fund: Empowering States To Fight Poverty

IDEA #2: Replace The Earned Income Tax Credit With A Wage Enhancement Credit

IDEA #3: Consolidate Higher Education Tax Incentives

IDEA #4: The Student Right To Know Before You Go Act

IDEA #5: Make Income-Based Repayment Automatic

IDEA #6: Student Investment Plans

IDEA #7: Accreditation Reform

IDEA #8: Ease Hiring Of Non-Degree-Holding Workers

IDEA #9: Career And Vocational Training

IDEA #10: Better Utilize Apprenticeship Programs

IDEA #11: Ease Access To State Colleges

IDEA #12: Better Utilize Online Education Tools

IDEA #13: Simplify The Federal Financial Aid Application

ENCOURAGING BOLD INNOVATION

IDEA #14: Defend Internet Freedom

IDEA #15: Reallocate Wireless Spectrum

IDEA #16: The America Innovates Act

EXPANDING THE MARKETS FOR AMERICAN PRODUCTS AND SERVICES

IDEA #17: Free And Fair Trade Policies

IDEA #18: Promote Energy Exports And Support The American Energy Boom

MAKING AMERICA THE BEST PLACE IN THE WORLD TO INVEST

IDEA #19: Pro-Growth Tax Reform

IDEA #20: National Regulatory Budget

IDEA #21: Open The Federal Thrift Savings Plan To The American People

IDEA #22: Eliminate Social Security Payroll Tax For Seniors

IDEA #23: Eliminate The Retirement Earnings Test

IDEA #24: Raise Social Security Retirement Age For Younger Workers

IDEA #25: Reform Method For Calculating Initial Benefits

IDEA #26: Transition Medicare To A Premium Support System

IDEA #27: Pro-Growth, Pro-Family Tax Reform

IDEA #28: Repeal ObamaCare And Replace With Free Market Reforms

IDEA #29: Extend The Childcare Tax Credit To Parents Pursuing Their Education

PROPOSALS TO MODERNIZE THE UNITED STATES ARMED FORCES

IDEA #30: Increase Our Defense Budget To Gates' Fy2012 Budget Baseline

IDEA #31: Modernize The United States Navy

IDEA #32: Modernize The United States Air Force

IDEA #33: Modernize The United States Ground Forces

IDEA #34: Modernize Our Nation's Intelligence Budget

IDEA #35: Modernize Standards Of Care, Personnel Policies, And Benefits For Our Armed Forces

PROPOSALS TO SPARK INNOVATION IN MILITARY INVENTORY AND TACTICS

IDEA #36: Properly Fund Military Research And Development

IDEA #37: Innovate And Invest In The Defense Of The Cyber Realm

IDEA #38: Innovate And Invest In The Defense Of Outer Space

IDEA #39: Innovate And Invest In Missile Defense And Nuclear Technology



SENATOR RUBIO'S MAIDEN FLOOR SPEECH

U.S. Senate Washington, D.C. June 14, 2011

Thank you, Mr. President. I have the honor of representing the great people of the state of Florida here in the Senate. And today I speak for the first time on this floor on their behalf.

The Senate is a long ways away from where I come from, both literally and figuratively.

I come from a hard-working and humble family. One that was neither wealthy nor connected. Yet I've always considered myself to be a child of privilege because growing up I was blessed with two very important things.

I was raised by a strong and stable family.

And I was blessed to be born here in the United States of America.

America began from a powerful truth – that our rights as individuals do not come from our government. They come from our God.

Government's job is to protect those rights. And here this Republic has done that better than any government in the history of the world.

America is not perfect. It took a bloody civil war to free over 4 million African Americans who lived enslaved. It took another hundred years after that before they achieved full equality under the law.

But since her earliest days, America has inspired people from all over the world. Inspired them with the hope that one day their own countries would be one like this one.

Many others decided they could not wait. And so they came here from everywhere, to pursue their dreams and to work to leave their children better off than themselves. And the result was the American miracle. A miracle where a 16-year-old boy from Sweden came here with no English in his vocabulary and five dollars in his pocket. But he saved enough money to open up a shoe store. Today, that store, Nordstrom, is a multi-billion dollar global retail giant.

A miracle that led to a young couple with no money and no business experience to open up a toy company out of the garage of their home. Today, that company, Mattel, is one of the world's largest toy manufacturers.

A miracle where the French-born son of Iranian parents created a website called AuctionWeb in the living room of his home. Today, that company, known as eBay, stands as a testament to the familiar phrase, "Only in America."

These are just three examples of Americans whose extraordinary success began with nothing more than an idea.

But it's important to remember that the American dream was never just about how much money you made. It is also about something that typifies my home state of Florida: the desire of every parent to leave their children with a better life.

And it is a dream lived by countless people whose stories will never be told. Americans that never made a million dollars, never owned a yacht, a plane or a second home. And yet, they too lived the American dream – because through their hard work and sacrifice, they were able to open doors for their children that had been closed for them.

It is the story of the people who clean our offices here in this building, who work hard so that one day their children can go to college. It is the story of the men and women who serve our meals in this building, who work hard so that one day their children can accomplish their own dreams.

It is the story of a bartender and a maid in Florida. Today their son serves here in the Senate, and stands as a proud witness of the greatness of this land.

Becoming a world power was never America's plan. But that's exactly what the American economic miracle made her.

Most great powers have used their strength to conquer. But America's different.

For us, our power always has come with a sense that to those that much is given, much is expected. A sense that with the blessings that God bestowed upon this land, came the responsibility to make the world a better place.

And in the 20th century, that is precisely and exactly what America did.

America led in two world wars so that others could be free.

America led in a Cold War to stop the spread of, and ultimately defeat, communism.

While our military and foreign policy contributions helped save the world, it was our economic and cultural innovations that helped transform it.

The fruits of the American miracle can be found in the daily lives of people everywhere.

Anywhere in the world, when someone uses a mobile phone, email, the Internet or GPS, they are enjoying the benefits of the American miracle.

Anywhere in the world, when a bone marrow, lung or heart transplant saves a life, they are touched by the value of the American miracle.

And on one night in July of 1969, the whole world witnessed the American miracle firsthand.

For on that night an American walked on the

surface of the moon, and it was clear to the whole world that these Americans... could do anything.

Clearly, America's rise was not free of adversity.

We faced a civil rights struggle that saw Governors defy Presidents, that saw police dogs attack innocent, peaceful protesters, and that saw little children murdered in churches by bombs.

We faced two oil crises. America faced Watergate. America faced American hostages in Iran.

I grew up in the 1980s, a time when it was morning in America. Yet even then, we faced a war on drugs, we lost soldiers in Beirut and Astronauts on the Challenger. We faced a devastating oil spill in Alaska and a terrifying new disease called AIDS.

Through challenges and triumphs, the 20th century was the American century. A century where America's political, economic and cultural exceptionalism made the world a more prosperous and peaceful place.

But now we find ourselves in a new century. And there's this growing sense that for America, things will never be the same. That maybe this century will belong to someone else.

Indeed, we do now stand now at a turning point in our history. One where there are only two ways forward for us. We will either bring on another American century, or we are doomed to witness America's decline.

Another American century is fully within our reach, because there is nothing wrong with our people.

The American people haven't forgotten how to start a business. The American people haven't run out of good ideas.

We Americans are as great as we have ever been. But our government is broken. And it is keeping us from doing what we have done better than any people in the history of the world: Create jobs and prosperity.

If we here in Washington could just find agreement

on a plan to get control of our debt, if we could just make our tax code simpler and more predictable, and if we could just get the government to ease up on some of these onerous regulations, the American people will take care of the rest.

If this government will do its part, this generation of Americans will do theirs. They will give us a prosperous, upwardly mobile economy. One where our children will invent, build and sell things to a world where more people than ever can afford to buy them.

If we give America a government that could live within its means, the American economy will give us a government of considerable means. A government that can afford to pay for the things government should be doing, because it does not waste money on the things government should not be doing.

If we can deliver on a few simple but important things, we have the chance to do something that's difficult to imagine is even possible. An America whose future will be greater than her past.

But sadly, that's not where we're headed.

We have made no progress on the issues of our time because, frankly, we have too many people, in both parties, who have decided that the next election is more important than the next generation.

And our lack of progress on these issues has led to something even more troubling – a growing fear that maybe these problems are too big for us to solve. Too big for even America.

Well, there is no reason to be afraid.

Our story, the story of America, it is not the story of a nation that never faced problems. It is the story of a nation that faced its challenges and solved them.

Our story, the story of the American people, is not the story of a people who always got it right. It is the story of a people who, in the end, got it right. We should never forget who we Americans are.

Every single one of us is the descendant of a

go-getter. Of dreamers and of believers. Of men and women who took risks and made sacrifices because they wanted their children to live better off than themselves.

And so whether they came here on the Mayflower, on a slave ship or on an airplane from Havana, we are all descendants of the men and women who built here the nation that saved the world.

We are still the great American people. And the only thing standing in the way of solving our problems is our willingness to do so.

And whether we do so or not is of great consequence. And not just to us, but to the whole world.

I know that now some say that times are so tough here at home that we can no longer afford to worry about what happens abroad. That maybe America needs to mind its own business.

Well, whether we like it or not, there is virtually no aspect of our daily lives that is not directly impacted by what happens in the world around us. We can choose to ignore global problems, but global problems will not ignore us.

You know, one of my favorite speeches is one that talks about our role in the world. It was the speech that President Kennedy was set to give had he lived just one more day. It closes with these words:

"We in this country, in this generation, are- by destiny rather than by choice- the watchmen on the walls of world freedom. We ask, therefore, that we may be worthy of our power and responsibility, that we may exercise our strength with wisdom and restraint, and that we may achieve in our time and for all time the ancient vision of 'peace on earth, good will toward men.' That must always be our goal, and the righteousness of our cause must always underlie our strength. For as was written long ago "except the Lord keep the city, the watchman waketh but in vain."

Almost half a century later, America is still the only watchman on the wall of world freedom. And there is still no one to take our place.

What will the world look like if America declines?

Well, today people all over the world are forced to accept the familiar lie that the price of security is our liberty.

If America declines, who will serve as living proof that liberty, security and prosperity can all exist together?

Today, radical Islam abuses and oppresses women. It has no tolerance for other faiths, and it seeks to impose its will on the whole world.

If America declines, who will stand up to them and defeat them?

Today, children are used as soldiers and trafficked as slaves.

Dissidents are routinely imprisoned without trial. They're subjected to torture and forced into confessions and labor.

If America declines, what nation on the earth will take these causes as their own?

What will the world look like if America declines?

Who's going to create the innovations of the 21st century?

Who will stretch the limits of human potential and explore the new frontiers?

And if America declines, who will do all these things and ask for nothing in return?

Motivated solely by the desire to make the world a better place?

The answer is no one will. There is still no nation or institution on this planet that is willing or able to do what America has done.

Ronald Reagan famously described America as a shining city on a hill.

Now, some say that we can no longer afford the price we must pay to keep America's light shining.

Others like to say that there are new shining cities that will soon replace us.

I say they're both wrong.

Yes, the price we're going to pay to keep America's light shining is high. But the price we will pay if America's light stops shining is even higher.

And yes, there are new nations emerging with prosperity and influence. And that is what we always wanted.

America never wanted to be the only shining city on the hill. We wanted our example to inspire the people of the earth to build one of their own.

You see, these nations, these new emerging nations, these new shining cities, we hope they will join us, but they can never replace us. Because their light is but a reflection of our own.

The light of an American century that now spreads throughout the earth.

A world that still needs America. A world that still needs our light. A world that needs a new American century. And I pray with God's help, that will be our legacy to our children and to the world.

Mr. President, I yield the floor.

CHALLENGE ONE:

Reforming America's Anti-Poverty Programs



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Replace our federal anti-poverty programs with a flex fund that transfers annual lump-sum payments to each state based on its unique anti-poverty needs, and measures progress.
- Replace the earned income tax credit with a wage enhancement credit to promote work over dependence.

IDEA #1: FLEX FUND: EMPOWERING STATES TO FIGHT POVERTY

Rubio: "[W]hat I am proposing today is the most fundamental change to how the federal government fights poverty and encourages income mobility since President Johnson first conceived of the War on Poverty fifty years ago. I am proposing that we turn Washington's anti-poverty programs — and the trillions spent on them — over to the states."

- States have always been the premier testing grounds for public policy innovations and reforms. Every state has unique unemployment challenges, requiring tailor-made solutions, not a one-size-fits-all Washington dictate.
- We must simplify the sprawling federal bureaucracy that administers our anti-poverty programs and instead create a "Flex Fund" that simply calculates an annual lump-sum payment for each state's needs, transfers the funds, and measures progress by requiring the Department of Health and Human Services to annually report to Congress how each state is spending its Flex Fund.
- As its name suggests, the Flex Fund will empower states with needed flexibility to administer its programs. Already, we have seen states like Kentucky, Mississippi and Utah, among others, implement unemployment

- programs that promote online education and skills training. Results have been encouraging with unemployment recipients finding work more quickly while requiring less time on government assistance.
- States would have the flexibility to apply solutions that have worked in other states as well as other ideas, including relocation vouchers to facilitate job-based moves and eliminating marriage penalties in safety net programs.
- Given the significant impact of broken families on poverty, an approach that empowers states is a more effective way to engage civil society, community groups and faith-based entities with expertise in helping low-income Americans.
- Available funding would remain the same. Funding formulas should be calculated as the number of people in a state that are in poverty multiplied by a fixed per-person amount that is determined by the amount of money spent on the repealed federal programs or tax expenditures. The fundamental change being proposed is that states would decide how to spend the money, not Washington politicians and bureaucrats. Over time, empowering states to implement effective solutions will result in more people working and fewer people requiring government assistance.

IDEA #2: REPLACE THE EARNED INCOME TAX CREDIT WITH A WAGE ENHANCEMENT CREDIT

Rubio: "We should pursue reforms that encourage and reward work. That's why I am developing legislation to replace the earned income tax credit with a federal wage enhancement for qualifying low-wage jobs. This would allow an unemployed individual to take a job that pays, say, \$18,000 a year — which on its own is not enough to make ends meet — but then receive a federal enhancement to make the job a more enticing alternative to collecting unemployment insurance."

• Instead of continuing the Earned Income Tax Credit (EITC) and numerous federal welfare programs, federal dollars will instead be appropriated to states via the Flex Fund, and also serve as a mechanism to finance the new wage enhancement credit.

- Whereas the EITC is delivered as a lump-sum placement each year, a wage enhancement credit would be disbursed by the Treasury to individuals in monthly checks to simulate better budgeting behavior.
- This is real money being put back directly into the pockets of lower income working Americans, incentivizing their work and creating opportunity for upward mobility.
- The wage enhancement credit will be scaled per person based on gross income and will phase out as an individual's income rises above a certain threshold.
- As poverty decreases, anti-poverty program spending through the Flex Fund will decrease. Moreover, as people accept low-income jobs, the wage enhancement credit will provide an incentive to avoid unemployment programs.



REACTION TO SENATOR RUBIO'S PROPOSED POVERTY REFORMS...

Yuval Levin: "Rubio offers a great example of how conservatives should be thinking about poverty in America, and about the conceptual perversity and (resulting) practical inadequacy of our vast array of anti-poverty programs. And he helps us also to see how the Democrats' misguided emphasis on inequality as the core of that problem opens up real opportunities for Republicans to lay out for the country their vision of the American Dream, and their agenda for helping more Americans achieve it." (Yuval Levin, "Rubio on Poverty and the Welfare State," NRO, 1/8/14)

Heritage Foundation: "Rubio Begins Work on Some Good Anti-Poverty Ideas" (David S. Addington, "Rubio Begins Work on Some Good Anti-Poverty Ideas," <u>Heritage</u> Foundation, 1/9/14)

- Heritage: "Importantly, [Rubio] noted that allowing the free enterprise system to flourish is vital, but is not enough by itself. He said that America must also work to lift cultural impediments imposed on Americans seeking to move upward. He emphasized the need to encourage marriage and stable families — a foundation of a strong society and a major contributor to a sound economy with upward mobility. He also pointed out the importance of a free market in high-quality education attuned to the needs of people and the economy, including not only those who need advanced university degrees for research and management jobs but also those who need skills training and certification for skilledlabor jobs." (David S. Addington, "Rubio Begins Work on Some Good Anti-Poverty Ideas," Heritage Foundation, 1/9/14)
- Heritage: "Rubio recognized that success in uniting America behind policies that help provide the opportunity for Americans to achieve a better life depends in part upon shifting power out of the hands of the federal government and back toward the states, localities, and the people." (David S. Addington, "Rubio Begins Work on Some Good Anti-Poverty Ideas," Heritage Foundation, 1/9/14)

Peter Wehner: "Yesterday Senator Marco Rubio delivered a major speech on poverty and social mobility. It's impressive for several reasons. While not ignoring the issue of income inequality, he made what I think is the correct and important point: Lack of social mobility, not income inequality, is what we should focus on." (Peter Wehner, "Poverty, Social Mobility, and the Party of Lincoln," *Commentary*, 1/9/14)

- Wehner: "What Mr. Rubio unveiled yesterday merits support on federalism and subsidiary grounds, in terms of how we should think about the working poor versus those who are unable to work, because it incentivizes work and creates incentives to avoid unemployment programs, and because it makes upward mobility more, not less, likely." (Peter Wehner, "Poverty, Social Mobility, and the Party of Lincoln," *Commentary*, 1/9/14)
- Wehner: "It's time that the Party of Lincoln more fully embrace the philosophy of Lincoln. That is, I think, what Marco Rubio (and congressional Republicans, like Representatives Eric Cantor and Paul Ryan and Senator Mike Lee) are doing. More Republicans should follow their lead." (Peter Wehner, "Poverty, Social Mobility, and the Party of Lincoln," Commentary, 1/9/14)

Jim Pethokoukis: "Senator Marco Rubio's new anti-poverty plan offers a dramatic, even radical revamp of the American welfare state." (Jim

Pethokoukis, "What Rubio's big anti-poverty plan gets right," AEI, 1/9/14)

• Pethokoukis: "There is much to recommend the Rubio plan. Policy analysts on the left and right should take it seriously while highlighting its pluses and minuses. The proposal gets some big things right. It doesn't confuse poverty fighting with budget cutting, though spending will drop if poverty falls. It tries to raise the ceiling for work rewards rather than lower the floor for income support. It takes advantage of states as laboratories of policy innovation while still maintaining a federal funding

role. It recognizes how globalization and automation are transforming the American labor market and changing the nature of modern work." (Jim Pethokoukis, "What Rubio's big antipoverty plan gets right," *AEI*, 1/9/14)

• Pethokoukis: "The other big, new idea in the Rubio plan is to use Flex Fund dollars to replace the lump-sum Earned Income Tax Credit with a broader wage subsidy to workers with or without kids delivered by employers through paychecks." (Jim Pethokoukis, "What Rubio's big anti-poverty plan gets right," AEI, 1/9/14) "But Rubio has a more radical idea to achieve social mobility and to help people get the skills they need to work in today's information-based economy." (Francine Kiefer, "What would a Republican 'war on poverty' look like, circa 2016?" *Christian Science Monitor*, 1/8/14)

"Mr. Rubio's proposal would mark a sea change for Washington, effectively dismantling 50 years of federal programs and turning the money that funded them over to states." (Damien Paletta, "Sen. Rubio Proposes Consolidating Poverty Funding," *The Wall Street Journal's Washington Wire*, 1/8/14)



THE SPEECH

"Reclaiming The Land Of Opportunity: Conservative Reforms For Combatting Poverty"

U.S. Capitol – Lyndon B. Johnson Room

Washington, D.C.

January 8, 2014

My mother was one of seven girls whose parents often went to bed hungry so their children wouldn't. My father lost his mother when he was nine. He left school and went to work at a local restaurant at about the same age of my youngest son now.

My parents, like most people that have ever lived, were raised in a country where they were trapped by the circumstances of their birth. But just ninety miles away there was a country where, through hard work and perseverance, anyone could get ahead. And so they came here with virtually nothing.

Their first years in America were difficult. They worked long hours for little pay. But they kept on, and in time, their lives improved. They never became rich or famous and yet they lived the American Dream. Because like most people, for them happiness wasn't about becoming wealthy. It was about finding work that paid a livable wage. It was about a happy family life, retiring with security, and one day giving their children the chance to be anything they wanted.

My parents' story, of two everyday people who were given the chance to work their way into a better life, is a common one here in America. A defining national characteristic rooted in a principle that was at the core of our nation's birth: that everyone has a God given right to live freely and pursue happiness.

This conviction has proven to be far more than just a line on a founding document. It has become the shared and defining value of a nation. It has set America apart and attracted people from every corner of the world.

The visionaries, the ambitious, the people who refused to accept the stagnant ways of the old world, they came here. They brought their ideas and their dreams. And finally, free from the restraints placed upon them in the nations of their birth, they helped build the most prosperous nation in human history.

We are still a country where hard work and perseverance can earn you a better life. The vast majority of Americans today live lives much better than their parents. Yet we are rightfully troubled that many of our people are still caught in what seems to be a pervasive, unending financial struggle. It bothers us because we are a people united by the belief that every American deserves an equal opportunity to achieve success.

Fifty years ago today, President Lyndon Johnson sought to address the plight of poverty by waging a war against it. On that day, he stood before a joint session of Congress and vowed, "It will not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won."

His very next sentence served as a small window into his big-government vision for this war, and into its future failures. He said of the War on Poverty, "The richest nation on earth can afford to win it." And with those words, he foreshadowed the belief still held by liberals to this very day: that government spending is the central answer to healing the wounds of poverty.

Today, the debate on poverty is primarily focused on the growing income gap between the rich and poor. From 1979 to 2007, income for the highest-earning Americans grew more than it did for anyone else. From 1980 to 2005, over 80% of the total increase in income went to the top 1% of American earners.

These are indeed startling figures, and they deserve attention. But they do not give us a complete view of the problem before us.

Yes, the cashier at a fast food chain makes significantly less than the company's CEO. The problem we face is not simply the gap in pay between them, but rather that too many of those cashiers are stuck in the same job for years on end, unable to find one that pays better.

And it is this lack of mobility, not just income inequality, that we should be focused on.

For most Americans, their primary aspiration is to achieve a better life. For some, that means becoming wealthy, and there is nothing wrong with that. But for most, they just want to be able to live a happy and fulfilling life. To earn a livable wage in a good job. To have the time to spend with family and do the things they enjoy. To be able to retire with security. And to give their own kids a chance to do as well or better than themselves.

The good news is that, even in the midst of our economic struggles, most Americans have been able to do that. For example, close to 50% of people in the bottom fifth of the income scale in 1996 had climbed into a higher income bracket less than 10 years later.

Many of these Americans have children that then go on to earn even more. Eighty-four percent of Americans have higher family incomes than their parents had when they were the same age. And among all income levels, the current generation is doing better than the one that came before it.

But for some Americans, this kind of mobility isn't happening. For example, 70% of children born into poverty will never make it to the middle class. The uncomfortable truth is that there are now a number of other countries with as much or more opportunity than ours. In fact, more people in Canada go on to surpass the income of their parents than in the United States.

America is still the land of opportunity for most, but it is not a land of opportunity for all. If we are to remain an exceptional nation, we must close this gap in opportunity.

Why are so many poor Americans trapped at the bottom? Why are so many working harder than ever only to find their dreams slipping farther out of reach?

And why do so many suffer from a growing sense of insecurity, knowing they are one bad break away from losing everything they worked so hard for? There are a number of reasons.

Our modern day economy has wiped out many of the low-skill jobs that once provided millions with a middle class living. Those that have not been outsourced or replaced by technology pay wages that fail to keep pace with the cost of living. And even many of the middle-skilled white- and blue-collar jobs have also been lost to automation or shipped overseas.

At least until a few decades ago, our economy proved sufficiently dynamic and innovative to replace old jobs with new ones. But this hasn't happened in recent years.

Social factors also play a major role in denying equal opportunity. The truth is, the greatest tool to lift children and families from poverty is one that decreases the probability of child poverty by 82%. But it isn't a government spending program. It's called marriage.

Fifty years ago, today, when the War on Poverty was launched, 93% of children born in the United States were born to married parents. By 2010 that number had plummeted to 60%. It should not surprise us that 71% of poor families with children are not headed by a married couple.

The decline of marriage and the increase in the percentage of children born out of wedlock is driven by a complex set of cultural and societal factors. But there is another interesting impediment to marriage worth keeping in mind. A 2011 report by the Pew Research Center found that 64% of adults with college degrees are married, while only 47% of those with a high-school education or less are.

A lack of education is contributing to inequality in other ways as well. The jobs that have replaced the low and middle skill jobs of the past pay more. But they require a high level of professional, technical, or management skills. And we simply have too many people who have never acquired the education needed to attain those skills.

What's worse, children from lower income families are the least likely to get an advanced

education. The result is a vicious cycle of intergenerational poverty.

These economic, social, cultural and educational causes of opportunity inequality are complex. And they will not be solved by continuing with the same stale Washington ideas. Five decades and trillions of dollars after President Johnson waged his War on Poverty, the results of this big-government approach are in.

We have four million Americans who have been out of work for six months or more. We have a staggering 49 million Americans living below the poverty line, and over twice that number – over 100 million people – who get some form of food aid from the federal government. Meanwhile our labor force participation is at a 35-year low, and children raised in the bottom 20% of the national income scale have a 42% chance of being stuck there for life.

Our current President and his liberal allies propose that we address this by spending more on these failed programs and increasing the minimum wage to \$10.10.

Really? That is their solution to what President Obama has identified as the defining issue of our time?

Raising the minimum wage may poll well, but having a job that pays \$10 an hour is not the American Dream. And our current government programs, offer at best only a partial solution. They help people deal with poverty, but they do not help them escape it.

The only solution that will achieve meaningful and lasting results is to provide those who are stuck in low paying jobs the real opportunity to move up to better paying jobs.

And to do this we must focus on policies that help our economy create those jobs and that help people overcome the obstacles between them and better paying work. The War on Poverty accomplished neither of these two things.

And we can achieve these two goals. We have the single greatest engine of upward mobility in human

history at our disposal: the American free enterprise system.

Real free enterprise doesn't cause wealth to accumulate in the hands of a few while leaving everyone else to live off the leftovers. And it does not, as some in both parties have forgotten, lead to corporatism, where those with the power to influence government win at the expense of everyone else.

Real American free enterprise is about a broad and growing economy that creates opportunities for everyone to get ahead. It creates the opportunity to become wealthy. But it also creates good and stable middle class jobs like the ones my parents had.

But instead of fostering a vibrant job-producing economy, our federal government is a major impediment to the enterprise and ingenuity of our people. An expensive tax code, burdensome regulations, and an unsustainable national debt are suffocating our economy's ability to create enough steady and good paying jobs. That is why poverty and inequality have only gotten worse under the current administration.

Instead we need policies that make our country the easiest and best place in the world to create jobs. This means removing the uncertainty created by a dangerous and growing national debt, enacting a simple and affordable tax code that incentivizes investment, and eliminating regulations that prevent employers from expanding and our energy sector from growing.

But we can't stop there. Allowing free enterprise to flourish alone is not enough. We have to address the complex and interrelated societal, cultural and educational impediments holding so many people back.

A child born into a poor and broken family, living in a dangerous and violent neighborhood and forced to attend a dysfunctional school is, in all likelihood, not going to have the same opportunity to succeed as a child growing up in a stable home, in a safe neighborhood and attending a good school.

An unwed mother with a poor education and abandoned by the father of her children faces

significant challenges to a better life.

The poverty found in rural areas has some characteristics that are very different from the poverty found in inner cities.

These are complex problems. And our current collection of overlapping government programs ignores and even exacerbates them. Instead of continuing to pour money into our existing programs, we need to reform them through innovative and highly targeted solutions.

But that is something the federal government is incapable of delivering. Washington is too bureaucratic and resistant to change. And its one-size-fits-all approach to policy is not conducive to solving a problem as diverse as this one.

Therefore, what I am proposing today is the most fundamental change to how the federal government fights poverty and encourages income mobility since President Johnson first conceived of the War on Poverty fifty years ago. I am proposing that we turn Washington's anti-poverty programs – and the trillions spent on them – over to the states.

Our anti-poverty programs should be replaced with a revenue neutral Flex Fund. We would streamline most of our existing federal anti-poverty funding into one single agency. Then each year, these Flex Funds would be transferred to the states so they can design and fund creative initiatives that address the factors behind inequality of opportunity.

This worked in the 1990s with welfare reform. In that case, Congress gave the states the ability to design their own programs, and in turn the states enacted policies that promoted work rather than dependence. In the years that followed, this led to a decline in poverty rates and welfare expenses.

However, despite this success, Washington continues to rule over the world of anti-poverty policy-making, with beltway bureaucrats picking and choosing rigid nationwide programs and forcing America's elected state legislatures to watch from the sidelines. As someone who served nine years in the state house, two of them as Speaker, I know how frustrating this is.

It's wrong for Washington to tell Tallahassee what programs are right for the people of Florida – but it's particularly wrong for it to say that what's right for Tallahassee is the same thing that's right for Topeka and Sacramento and Detroit and Manhattan and every other town, city and state in the country.

A nation as large and diverse as the United States of America should have a menu of state level policy options that is just as large and diverse.

Already, we see evidence that when states can manage the resources necessary to experiment with such programs, they see dynamic and transformative results.

For example, while Washington debates how and whether to fund the existing unemployment insurance program, states are finding innovative approaches to get people into good paying jobs.

In Utah, in order to continue receiving unemployment benefits, the long-term unemployed were required to take online training courses that focused on skills needed for modern professionals, with topics spanning from resume building to career direction to interview skills.

The state tracked the progress of the participants and found that, before the courses, their professional preparedness was at the equivalent of a D+. But upon completion of the training, their preparedness had climbed to a B+.

And remarkably, what began as a requirement quickly turned into a sought after tool. 36 percent of participants found the courses so helpful that they voluntarily completed more training than required.

And it also helped them find a job faster. Among the test group, unemployment duration was reduced by 7%.

The program has now been taken statewide in Utah, and a 7% reduction in duration of benefits is expected to save \$16 million dollars annually,

not to mention the boost to the state's economy and culture from a more engaged labor force.

A similar program was also attempted in Mississippi. Only in that case participants increased their preparedness by a staggering 31 percent.

Another in Kentucky found that workers spent 2.2 weeks less on unemployment insurance benefits when required to take training courses.

These are the kind of innovations we are looking to unleash, not just with unemployment insurance, but throughout the entire web of government assistance programs.

Right now, these kinds of innovations are difficult to pursue because Washington controls the money. But I know from my time in the Florida legislature that if states were given the flexibility, they would design and pursue innovative and effective ways to help those trapped in poverty.

As we've seen, they could put in place programs that give those currently stuck in low-wage jobs access to a job training system.

They could put in place relocation vouchers that will help the long-term unemployed to move to areas with more jobs.

They could remove the marriage penalties in safety net programs like Medicaid.

And they could enact a nearly infinite number of other nimble and targeted reforms to address the needs of their people.

But allowing the states greater control doesn't mean Washington gets to wash its hands of this problem. There will still be a role to play for the federal government.

We should pursue reforms that encourage and reward work. That's why I am developing legislation to replace the earned income tax credit with a federal wage enhancement for qualifying low-wage jobs. This would allow an unemployed individual to take a job that pays, say, \$18,000 a year – which on its own is not enough to make ends meet –

but then receive a federal enhancement to make the job a more enticing alternative to collecting unemployment insurance.

Unlike the earned income tax credit, my proposal would apply the same to singles as it would to married couples and families with children. It would also be a preferable means of distributing benefits since it would arrive in sync with a monthly paycheck rather than a year-end lump-sum credit. And it's a better way of supporting low-income workers than simply raising the minimum wage.

Of course, the enhancement will be highly targeted to avoid fraud or abuse and the amount will depend on a range of factors. But we know that by promoting work over dependence, this reform would increase work-force participation in struggling communities and, in turn, would have numerous social, economic and cultural benefits to areas hardest-hit by the Great Recession.

Ultimately however, any reform effort would be incomplete if they failed to facilitate the ultimate wage enhancer: skills training for those in low-wage jobs. Many do not have the time or money to pursue a traditional education. We can help them by bolstering and reinvigorating our nation's existing job training system.

While our workforce delivery system must be driven by states, the federal government can help address the shortage in many skilled labor jobs by creating more pathways toward obtaining these certification credentials, and by encouraging alternatives to the traditionally accredited college degree.

Unlike our current programs, these reforms address the causes of opportunity inequality, not just the consequences. And as a result they will help move our country closer to a day when widespread poverty is a memory, and equal opportunity is available to more people than ever before.

The erosion of equal opportunity is among the greatest threats to our exceptionalism as a nation. But it also provides us with an exciting and historic opportunity: to help more people than ever achieve the American Dream.

The millions currently trapped in poverty and despair are a tremendous untapped resource. Just think of what it would mean for America to gain full use of the talents and abilities of all her people.

They would develop new innovations to improve our lives, or help build the next great American company. They would be doctors in our hospitals and scientists in our labs. They would be customers for our businesses and partners in our investments. They would be leaders in our government and pastors in our churches.

We are a great country despite the fact that we have over 40 million people stuck in poverty. Imagine how much greater we would be if they were not. If the dreams and talents of over 40 million human beings were unleashed into our economy.

I haven't been in Washington long, but I've been here long enough to know that everything here gets analyzed through the lens of electoral politics. But upward mobility and equal opportunity is not a partisan issue, it is our unifying American principle.

And it has always been a focus of my public service going back to my days as a state representative. Because for me, this is personal.

I am but a generation removed from poverty and despair. Where would I be today if there had never been an America? What kind of lives or future would my children have if this was not a land of opportunity? What if my father had been stuck working as a bar boy his whole life instead of making it to head bartender.

What kind of life would I have right now? In all likelihood, I too would be among those on the

outside looking in, forever frustrated that my parents had no power or privilege and that I was therefore unable to achieve my full potential.

Our status as a land of equal opportunity has made us a rich and powerful nation, but it has also transformed lives. It has given people like me the chance to grow up knowing that no dream was too big and no goal out of reach.

Some of my earliest memories are of my parents and my grandfather instilling in me the belief that I could strive to achieve for myself whatever kind of life I wanted, even though they had lived humble lives themselves.

Now there are those trying to access these same opportunities. Working in this very building, there are struggling parents trying to give their children the chances my parents gave me. Within walking distance of this very place, there are children growing up like I did, with dreams just like mine. Whether or not they get the chance to improve their lives will determine whether we remain a special place, or become just another country.

For fifty years now, we have tried big government. Yet too many people remain trapped in despair. Now, we must try a new way. One that addresses the things keeping so many people from the better life they want.

For the idea that everyone deserves a chance still binds us together as a people. Despite our many challenges, this is what we want our nation to be. And that is why I know that like those that came before, we will solve this problem. In the end, we will do what Americans have always done: whatever it takes to keep America special.

CHALLENGE TWO:

Reforming America's Higher-Education System



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Consolidate higher education tax incentives into one simple provision.
- Pass the Student Right To Know Before You Go Act, which would give students reliable data on how much they can expect to make versus how much they can expect to owe.
- Make income-based repayment the automatic repayment method for student loans.
- Establish "student investment plans", allowing private investors to finance a student's education in return for a percentage of the student's salary for a set number of years after graduation.

- Reform the accreditation process to allow new and innovative providers to emerge in the higher education market.
- Ease hiring of non-degree-holding workers by establishing a federal pilot program.
- Make career and vocational education more widespread and more accessible.
- Better utilize apprenticeship programs.
- Ease access to state colleges.
- Better utilize online education tools.
- Simplify the federal financial aid application.

IDEA #3: CONSOLIDATE HIGHER EDUCATION TAX INCENTIVES

Rubio: "The federal government also uses a tangled and bureaucratic system of tax policies. What students and parents need from our tax code is simple, so let's stop pretending it's so complicated. They need their educational expenses to be tax deductible. That's why Representative Schock and I have proposed a bill to update and consolidate higher education tax incentives into one simple, easy-to-understand tax credit. Our bill would help millions of Americans pursue higher education, simplify the tax code and save taxpayers money."

- THE CHALLENGE: Each year, almost \$4 billion worth of tax credits go to individuals who aren't students or didn't attend an eligible institution, who attend less than half-time, who have exceeded four year credit limitations, or are non-resident aliens. Additionally, many eligible individuals do not know about existing tax credits and therefore do not take advantage of them.
- THE SOLUTION: In June 2013, Rubio and U.S. Representative Aaron Schock (R-IL-18) introduced the Higher Education & Skills Obtainment Act., which consolidates America's higher education tax incentives into one provision that will help millions of Americans pursue higher education, simplify the tax code and save taxpayers money. The bill also contains these additional cost-saving measures:
 - O Provides \$2,500 yearly permanent tax credit for first four years of post-secondary education. Credit value phases out between 400-500 percent above the poverty level.
 - Refundability of higher education credits reverted to pre-stimulus levels – \$8 billion per year.
 - Eligible expenses reflects what was actually received from educational institution, not what was billed.
 - Income phase-out levels would now be reflective of appropriate poverty levels.
 - o Elimination of direct credit for graduate

- school attendance which is often cited as a contributor to higher education costs \$2 billion per year.
- "Eligible Student" includes at least half-time undergraduate student, graduate student, certificate seeking student, credential seeking student, or persons enrolled in job skills training.
- Eligible "Job Skill Training" must come from an eligible provider of such services as identified by the Workforce Investment Act.

IDEA #4: THE STUDENT RIGHT TO KNOW BEFORE YOU GO ACT

Rubio: "Students and their families need to be equipped with the information necessary to make well-informed decisions about which majors at which institutions are likely to yield the best return on investment. This is why I, along with Senator Ron Wyden, proposed the 'Student Right to Know Before You Go Act,' which aims to give students reliable data on how much they can expect to make versus how much they can expect to owe."

- THE CHALLENGE: Currently, prospective students are forced to make costly and critical decisions about furthering their education with very little or inaccurate information. For example, even though the U.S. Department of Education makes some institutional data available through its College Scorecard, the information is at best extremely limited. States and private web sites also try to put out similar information, but the data typically only examines first-time, full-time students or students who remain within a given state after college.
- THE SOLUTION: First introduced in 2012 and re-introduced in May 2013, the Student Right to Know Before You Go Act would streamline existing institutional reporting requirements to enable students, families, institutions, and policymakers are able to assess schools and programs based on

a wide range of key data including graduation rates for non-traditional students, transfer rates, student debt and post-graduation earnings and employment outcomes.

- O The legislation would direct the Secretary of Education to make the information available online in an easily accessible format. Individual privacy would be strictly maintained with safeguards to ensure that no personally identifiable information could ever be disclosed, and the system would be audited for data quality, validity and reliability.
- Using information that is already gathered, the bill would allow student records to be matched with employment and earnings data.

IDEA #5: MAKE INCOME-BASED REPAYMENT AUTOMATIC

Rubio: "[W]e must make the burden of student loans more manageable. To do so, I propose that we make an 'Income-Based Repayment System' the automatic repayment method for student loans. Under this system, graduates would make loan payments in proportion to how much they earn. So the more you make in a given month, the more you would pay back. The less you make, the less your monthly payment will be."

• THE CHALLENGE: In 2013, President Obama proposed major changes to income-based repayment (IBR) programs, including IBR, income-contingent repayment (ICR) and Pay As You Earn (PAYE). Yet these programs are still flawed and can have unintended consequences, such as benefiting highdebt, high-income borrowers while allowing some schools, such as graduate and professional schools, to raise tuition. Even though many borrowers now qualify for income-based repayment plans, they are extremely underutilized and administratively burdensome. Even the President's Executive Order in June 2013 to expand the PAYE program does little to help those who are struggling to make payments or meaningfully address problems facing our higher education landscape.

- THE SOLUTION: By automatically entering students into income-based repayment, we will ensure those who can afford to make their payments in a timely fashion will be doing so based on their current income, and students who are unemployed or underemployed will be protected.
 - O Congressmen Tom Petri (R-WI) and Jared Polis (D-CO) have introduced the Earnings Contingent Education Loans (ExCEL) Act, which would make IBR the universal repayment method for federal student loans and streamlines it by allowing borrowers to make payments through their employer's withholding system. The Petri-Polis legislation is a model in developing our proposal as we ensure borrowers are making meaningful payments when they are gainfully employed, and are protected in times of uncertainty and underemployment.
 - Student loan interest rates should be tied to the 10-year Treasury rate, plus percentage points to cover administrative costs in order to provide a more fair, market-based rate with caps to protect students.
 - This proposal could only be applied to new borrowers, since terms of loans already made must remain the same. However, borrowers with existing loans could consolidate into the new income-based repayment system.

IDEA #6: STUDENT INVESTMENT PLANS

Rubio: "Let's say you are a student who needs \$10,000 to pay for your last year of school. Instead of taking this money out in the form of a loan, you could apply for a 'Student Investment Plan' from an approved and certified private investment group. In short, these investors would pay your \$10,000 tuition in return for a percentage of your income for a set period of time after graduation – let's say, for example, 4% a year for 10 years."

 THE CHALLENGE: Students should have more alternatives for paying for higher education. Private companies or organizations have reasons to have skin in the higher education game, but few opportunities allow such entities to enter into formal agreements with students where they can finance their education and guide them through completion and employment while ensuring a return on their investment.

- THE SOLUTION: We should allow and encourage private organizations to enter into "social impact bond" contracts with students where they fund a student's higher education, while also helping them with guidance, in return for an agreed upon amount of the student's wages upon graduation for a set amount of time.
 - This proposal would offer students an alternative to financing higher education, while leaving traditional methods intact.
 - Since a student would voluntarily enter into a contract with a private firm who will finance a portion of their higher education, the student would be aware of the terms of the agreement and responsible for upholding their end of the contract, as with any other legally binding contract.
 - The federal government should ensure the legality and enforceability of such contracts.

IDEA #7: ACCREDITATION REFORM

Rubio: "After completing a free online course, a student could pay a relatively small fee to take a standardized test that, if passed, would allow them to count the class toward a degree or job certification. Congress could establish a new independent accrediting board to ensure the quality of these free courses and make the credits transferable into the traditional system. The board would factor in input from the private sector and allow students to qualify for some type of federal aid to cover costs."

- THE CHALLENGE: Accreditation's main function is quality assurance for higher education institutions. We know this system is broken, since it is funded largely by those who are already accredited, and the outdated system is stifling innovation.
- THE SOLUTION: It would be the new, independent entity's responsibility to thoroughly vet

the alternative provider's model and value to ensure student protection.

- The new board could be comprised of former accreditation officials, traditional higher education, leaders in alternative higher education models, policy experts, student advocates, and business executives to ensure fair input.
- Access to federal financial aid could be tiered, so proven models have greater access to aid but new models could still access some aid until they prove their outcomes are worthy of full amount of aid.
- In order for providers of new, alternative, and inexpensive higher education to be allowed to enter and compete in the higher education market, students who wish to attend these providers must be able to access federal financial aid.

IDEA #8: EASE HIRING OF NON-DEGREE-HOLDING WORKERS

Rubio: "We could jumpstart and create private sector confidence in this practice by creating a pilot program to hire such workers in federal agencies. The agencies would identify occupations where employees could have learned skills from non-traditional sources. The pilot program would then systematize the hiring of these individuals over a five-year period, allowing the results to be tracked and reported back to form the basis for future policy."

• THE SOLUTION: The Office of Personnel Management (OPM) should create a pilot program to direct federal agencies to identify occupations where employees could possess skills or credentials from a non-traditional, unaccredited provider of higher education.



IDEA #9: CAREER AND VOCATIONAL TRAINING

Rubio: "We should make career and vocational education more widespread and more accessible. For instance, here in Miami, the local school district has partnered with a car dealership to create an innovative approach to career education. The students in this program attend traditional high school classes each morning, then go to auto dealerships where they are trained to be certified technicians. When they finish high school, they graduate not just with a high school diploma but with a job-ready industry certification from an automobile manufacturer."

IDEA #10: BETTER UTILIZE APPRENTICESHIP PROGRAMS

Rubio: "Another example of this is apprenticeship programs, which provide valuable on-the-job training for employees. So instead of having to pay for schooling, an employee can often get paid to learn and work toward a degree while on the job. We need policies that encourage industries to expand apprenticeship programs and work more closely with their local work-force training boards to make these viable options for gaining certification or degree credit."

IDEA #11: EASE ACCESS TO STATE COLLEGES

Rubio: "We should also create more pathways for working parents to attain the equivalent of a college degree at the more easily accessible state college level. Our host today, Miami Dade College, is a pioneer in this effort."

IDEA #12: BETTER UTILIZE ONLINE EDUCATION TOOLS

Rubio: "Let's fully utilize innovation and technology to make learning easier to access. To their credit, many traditional colleges and universities now offer online educational opportunities. Some of the best are right here in Florida. My alma mater, UF, has two online courses ranked in the top 5 nationally. Embry-Riddle Aeronautical University in Daytona Beach also has one in the top 5."

IDEA #13: SIMPLIFY THE FEDERAL FINANCIAL AID APPLICATION

Rubio: "Making these rising costs even more burdensome is a federal government that seems to try its best to be confusing and bureaucratic. Even the process of applying for federal financial aid is made unnecessarily difficult. We should examine ways to cut back on the complexity of the federal aid application to ensure students are not discouraged by the process and are able to complete it quickly and accurately."

REACTION TO SENATOR RUBIO'S EDUCATION REFORM PROPOSALS...

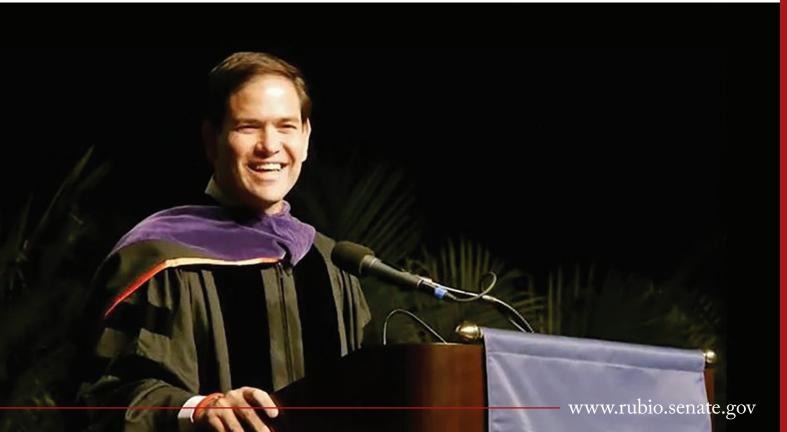
Please put the below information into one column, and the picture will be another column. George Leef: "Most politicians are happy to go into the cheerleading mode whenever the subject is education. ... One politician who is not just a cheerleader is Florida's Senator Marco Rubio." (George Leef, "Senator Rubio Advances Reform Ideas About Higher Ed," NRO, 2/10/14)

• Leef: "In my view, the most interesting idea here is the Senator's view of alternatives to the current accreditation system, which does little or nothing to ensure educational quality, but does act as a barrier to entry against innovative means for young people to learn skills and show their competence." (George Leef, "Senator Rubio Advances Reform Ideas About Higher Ed," NRO, 2/10/14)

Richard Vedder: "Rubio hits a home run with his third new proposal. He wants to create a framework where investors can buy equity in students as opposed to lending to them. In effect, students sell stock instead of bonds in themselves. Under these Income Share Agreements (ISAs), a student agrees to pay the investor a certain percent of his or her income for a fixed number of years –say five percent for 10 years in return for a \$15,000 investment in college costs. If the student ends up making \$125,000 a year well before 10 years are up, the investor makes a huge profit; if the student makes only \$30,000 a year, the investor likely loses on the student. The risks of borrowing move to the investor away from the student." (Richard Vedder, "Four Ideas for Higher Education," *Minding The Campus*, 2/11/14)

AEI's James Pethokoukis: "New reforms proposed by GOP senators Mike Lee and Marco Rubio attempt to deal with the college cartel and the related issue of how to make higher-ed more market-like. What their ideas have in common are a variety of market-based approaches to improving educational opportunity. Among them: (a) give students better info on outcomes and costs; (b) lower barriers to entry by creating alternative, state-level accreditation systems so new providers of cheaper courses and programs could compete against existing players; (c) leverage private capital to finance individual students through income-share agreements." (James Pethokoukis, "Lee and Rubio understand the need to disrupt the higher-ed status quo," AEI Ideas, 2/12/14)

 Pethokoukis: "Lee and Rubio understand the need to disrupt the higher-ed status quo" (James Pethokoukis, "Lee and Rubio understand the need to disrupt the higher-ed status quo," <u>AEIIdeas</u>, 2/12/14)



THE SPEECH

"Making Higher Education Affordable Again"
Miami-Dade College
Miami, FL
February 10, 2014

The American Dream is a term that is often used but also often misunderstood. It isn't really about becoming rich or famous. It is about things much simpler and more fundamental than that. It's a happy home and the ability to live without fear for your safety and that of your family. It's the freedom to worship the way you want. It's the chance to get a good education and a job that allows you to achieve financial security and retire comfortably. And it's about leaving your children better off than yourself.

The America my parents came to almost sixty years ago was one where you could find a middle income job even if you didn't have a higher education. That is how they made it to the middle class, working as a bartender and a maid. But they desperately wanted their children to have even more than that. Giving us the chance at a better life was their American Dream.

For them, it meant giving us the chance to have what they didn't: a college degree. That is why from a very early age, they would tell me tu tienes que estudiar: "You have to study." And so growing up I never considered not going to college.

My parents did not make enough to save for our education. But I was able to use Pell grants, student loans, work study and summer jobs to pay for a four-year degree and eventually law school.

The loans I took out for my undergraduate degree were manageable. But my legal education was more expensive and I paid for it almost entirely through public and private loans. Each semester I would sign the promissory note borrowing more money. I never sat down to calculate how much I could expect to make once I graduated and whether it would be enough to afford my loan payments. There was no source to provide me with that information either. Finally, in 1996 I graduated from law school. I had a Juris Doctor in one hand and over \$100,000 in

loans in the other. Then a few months later, the bills began to arrive.

My first job paid well for a young attorney. I was making over \$50,000, which was more than either of my parents had ever made. I thought I was rich. But I was living with my parents and paying them rent. I was trying to save for my wedding and hopefully to buy a house. And when the \$1500 monthly bills for my loans started coming in, I realized I couldn't pay them.

So I did deferment. And forbearance. I paid only interest for a while. But the loans quickly became my single largest expense. I remember looking at the coupon book for one of them and realizing that at the pace I was paying these things, I wouldn't pay them off until I was over 50.

In the time since I took my last exam – and certainly in the years since my parents arrived in America – our country has changed tremendously. Our economy has undergone the most rapid and disruptive structural transformation since the industrial revolution. Before that economic revolution your ability to make a living depended greatly on your ability to do the physical labor required by farm work. But with industrialization, you could suddenly make a living operating a machine our building things with your hands.

This created jobs and opportunities for people once trapped in the poverty of their birth. It pulled millions into the great American middle class and transformed this into a nation of exceptional upward mobility.

But now we have entered a post-industrial era. The middle class workers who once earned their living making things saw their jobs leave to places with cheaper labor and fewer restrictions. And many middle class careers have been replaced by automation and technology.

This new era comes not just with challenges, but also with great opportunity. It creates new jobs and new careers that can actually pay more than the ones they are replacing. But the higher paying jobs of this new era require advanced skills and education.

Those with the right advanced education are making more than ever. But those that do not are falling farther and farther behind. The result is a growing opportunity gap between haves and have-nots, those who have advanced education and those who do not. And if we do not reverse that trend, we will lose the upward mobility that made America exceptional.

In the last century, education became a viable option for millions of Americans like me. But in this new century, the right education is no longer just an option, it has become a necessity for nearly everyone.

The problem is that we are trying to prepare people for the new economy using a higher education system built for the old economy. As a result, many high-skilled, high-paying industries suffer from a shortage of labor, while too many low-paying industries suffer from a surplus. In the coming decade, 63% of jobs will require postsecondary training. But if current education trends continue, we will fall short of filling these skilled positions by 300,000 people per year.

Our single most important domestic priority should be to put in place policies that foster dynamic economic growth. Policies that make this country the easiest and best place in the world to innovate and create jobs. But ultimately, these jobs will not be created here if our people do not have the skills and the training they require.

So among the most pressing challenges before us today is to transition to a new model of delivering higher education that equips Americans for the better paying careers of this new economy.

One of the central problems of our outdated higher education system is that it has become increasingly unaffordable for those who stand to benefit the most. Tuition rates have skyrocketed at a rate far exceeding the rise in inflation. Even when the

Great Recession took hold 5 years ago and Americans had less to spend, the rise in tuition only continued to accelerate. Between 2006 and 2012, the cost of college increased by 16.5%.

This has forced a growing number of students from low and middle income families to choose between taking on large amounts of student loan debt or giving up on their dreams of an advanced education.

Today, college graduates in America have more than one trillion dollars in combined student loans. And keep in mind this is borrowed at interest rates far above home-mortgage rates. This unaffordable debt is more than just a number on a piece of paper. It has a real life impact that affects our economy from top to bottom. It delays the ability of young Americans to get married, buy a home and start a family. It keeps them from saving for a rainy day or investing for retirement.

One of the main reasons tuition rates are rising is that colleges know the federal government will continue lending students as much as they need in federally guaranteed loans. These hiked tuition rates effectively form a free subsidy for colleges and universities, which use the funds to finance a myriad of non-academic pursuits ranging from dining options to construction projects to athletics. Many schools use this money to finance various administrative positions that have little, if anything, to do with educating students. In fact, these non-instructional positions were behind a 28% expansion of the higher education workforce from 2000 to 2012.

When I was in the state House, the universities told us every year that they needed higher tuition to retain quality faculty and pursue goals that they called vital to student learning. I understand this argument. It's important to ensure students receive a quality education for their tuition dollars. But there also has to come a point where quality and affordability meet. We simply cannot continue to price people out of higher education.

Making these rising costs even more burdensome is a federal government that seems to try its best to be confusing and bureaucratic. Even the process of applying for federal financial aid is made unnecessarily difficult. We should examine ways to cut back on the complexity of the federal aid application to ensure students are not discouraged by the process and are able to complete it quickly and accurately.

The federal government also uses a tangled and bureaucratic system of tax policies. What students and parents need from our tax code is simple, so let's stop pretending it's so complicated. They need their educational expenses to be tax deductible. That's why Representative Schock and I have proposed a bill to update and consolidate higher education tax incentives into one simple, easy-to-understand tax credit. Our bill would help millions of Americans pursue higher education, simplify the tax code and save taxpayers money.

Our colleges and universities must do their part by making it among their highest priorities to find the right balance between quality and cost. And simplifying the tax benefits of higher education will help students deal with the cost of higher education as well. But this alone is not enough.

Today, I am grateful for this opportunity to offer three additional ideas aimed at helping Americans earn a practical advanced education at an affordable price and in a reasonable timeframe.

First, we must recognize that it is no longer enough to merely get a degree. If you want to improve your chances of finding a good paying job, it is vital that you get the right degree geared toward the right industry.

Not all college majors have the same success rate when it comes to connecting students with good jobs. Nationally, majors such as business, liberal arts, and hospitality have underemployment rates at or above 50%. There are simply more graduates than jobs in these industries. Meanwhile, engineering, health services and education all have underemployment rates less than 25%.

Students and their families need to be equipped with the information necessary to make well-informed decisions about which majors at which institutions are likely to yield the best return on investment. This is why I, along with Senator Ron Wyden, proposed the "Student Right to Know Before You Go Act," which aims to give students reliable data on how much they can expect to make versus how much they can expect to owe.

Second, we must make the burden of student loans more manageable. To do so, I propose that we make an "Income-Based Repayment System" the automatic repayment method for student loans. Under this system, graduates would make loan payments in proportion to how much they earn. So the more you make in a given month, the more you would pay back. The less you make, the less your monthly payment will be.

We have various Income-Based Repayment programs already in place, but they are terribly insufficient and replete with unintended consequences. Many graduates don't even know the programs exist, making them extremely underutilized. And perhaps it's no great surprise that those who do attempt to use them often get tangled in a slow and frustrating federal bureaucracy. Making income-based repayment the universal repayment method would end this confusion.

And finally, we must create alternatives to our current system of accessing and paying for higher education. And there are several things we can do to foster more choice and more innovation.

For example, what if in addition to traditional loans, we could give students the option of paying for their education without acquiring any student loans at all?

Let's say you are a student who needs \$10,000 to pay for your last year of school. Instead of taking this money out in the form of a loan, you could apply for a "Student Investment Plan" from an approved and certified private investment group. In short, these investors would pay your \$10,000 tuition in return for a percentage of your income for a set period of time after graduation – let's say, for example, 4% a year for 10 years.

This group would look at factors such as your major, the institution you're attending, your record in school – and use this to make a determination about the likelihood of you finding a good job and paying them back.

Unlike with loans, you would be under no legal obligation to pay back that entire \$10,000. Your only obligation would be to pay that 4% of your income per year for 10 years, regardless of whether that ends up amounting to more or less than \$10,000.

We also need policies that recognize that many Americans don't have the money, time or inclination to spend four to six years on a campus. Maybe you are a single parent who needs to work full time to raise your children, so you cannot just drop everything to go back to school. Or maybe you are a high school student who wants to fix airplane engines as a career, but you lose interest in your schoolwork because it seems geared only toward college bound students.

For millions of Americans trapped in low-paying jobs or at risk of dropping out of school, higher education may be the only way they will ever be able to move to a better paying job. What they need is more affordable degrees or career education options that are tailored to their specific needs and talents.

We should make career and vocational education more widespread and more accessible. For instance, here in Miami, the local school district has partnered with a car dealership to create an innovative approach to career education. The students in this program attend traditional high school classes each morning, then go to auto dealerships where they are trained to be certified technicians. When they finish high school, they graduate not just with a high school diploma but with a job-ready industry certification from an automobile manufacturer.

Another example of this is apprenticeship programs, which provide valuable on-the-job training for employees. So instead of having to pay for schooling, an employee can often get paid to learn and work toward a degree while on the job. We need policies that encourage industries to expand apprenticeship programs and work more closely with their local work-force training boards to make these viable options for gaining certification or degree credit.

We should also create more pathways for working parents to attain the equivalent of a college degree at the more easily accessible state college level. Our host today, Miami Dade College, is a pioneer in this effort.

Let's fully utilize innovation and technology to make learning easier to access. To their credit, many traditional colleges and universities now offer online educational opportunities. Some of the best are right here in Florida. My alma mater, UF, has two online courses ranked in the top 5 nationally. Embry-Riddle Aeronautical University in Daytona Beach also has one in the top 5.

These university-offered online courses are a welcomed alternative for many students, but unfortunately the cost of these courses is often comparable to attending physical classes. With all of the resources of the web, most of which are completely free, shouldn't there be another alternative?

The spread of knowledge through the Internet is one of the greatest technological breakthroughs of our time. So why hasn't our education system found a way to harness it and allow it to count toward a person's post-secondary education?

The answer is that we have a broken accreditation system that favors established institutions while blocking out new, innovative and more affordable competitors.

In order for a college or university to be recognized as a degree-conferring institution, it has to be approved – or "accredited" – by an independent regulatory board. The problem is, these regulatory boards are controlled in large part by the institutions that have already been accredited, which are typically the traditional four-year colleges and universities. This means their accreditation status is rarely questioned, while the status of potential competitors – such as free online course-providers – is rarely given ample consideration.

Reforming this biased and broken system is crucial to opening broad, innovative pathways to higher education for all Americans. There are already some unique and powerful proposals for reform out there today. Senator Mike Lee, for example, has proposed allowing states to take control of the accreditation process. Members of both parties are beginning to realize that for every day we delay bold accreditation reform, our education system leaves more Americans behind to languish in a dwindling market of low-skill jobs.

Action on this issue can and should be swift. Free online learning is already a reality, we just need the established system to catch up. Here's how it could work. After completing a free online course, a student could pay a relatively small fee to take a standardized test that, if passed, would allow them to count the class toward a degree or job certification.

This is the same concept we use to allow students to count AP classes in high school toward college credit. By allowing real-world experiences to count in the same way, we could create what would virtually amount to a debt-free degree.

To make this a reality, Congress could establish a new independent accrediting board to ensure the quality of these free courses and make the credits transferable into the traditional system. The board would factor in input from the private sector and would allow students to qualify for some type of federal aid to cover any potential costs.

In addition to these online courses, there are a nearly infinite number of ways for an individual to learn and master a trade, and it's impossible to accredit them all.

For example, an aspiring cook may have mastered their craft from books and free online tutorials, or perhaps from the training of a parent who is a certified chef – or who simply cooks up a mean ropa vieja after years of preparing it for their family. Because we all know that if most of our parents or grandparents wanted to go work as a restaurant chef, they wouldn't need to take a class to prove they can cook. These people should have the opportunity to prove their abilities and gain the certification necessary for employment without spending tens of thousands at a formal culinary school.

We could jumpstart and create private sector confidence in this practice by creating a pilot program to hire such workers in federal agencies. The agencies would identify occupations where employees could have learned skills from non-traditional sources. The pilot program would then systematize the hiring of these individuals over a five-year period, allowing the results to be tracked and reported back to form the basis for future policy.

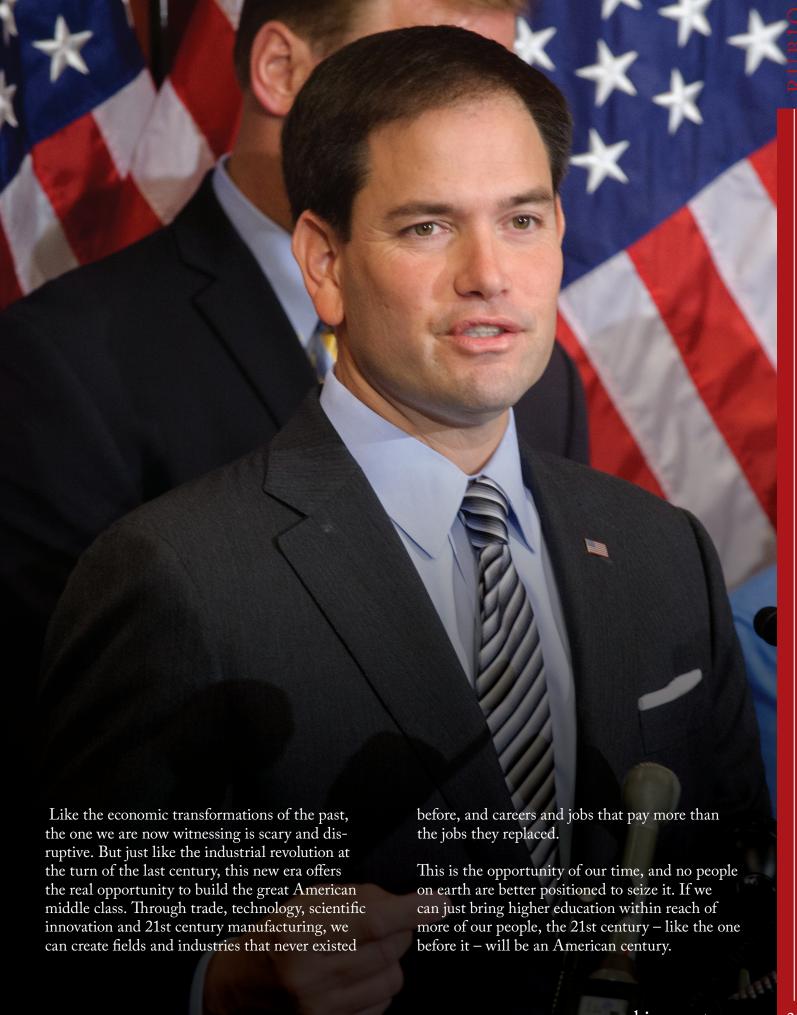
I suspect that we will find that in many fields, the source of an employee's education is far less important than many previously thought. That those who have the skills and the aptitude to be successful in a job deserve the opportunity to be considered for employment, even if they learned the trade from a non-traditional source.

In closing, I feel the policies I've outlined here – and that we'll continue to discuss in a moment – are not just about education. They are about our shared and unifying belief that no one should be held captive by the circumstances of their birth. They are about the equality of opportunity that transformed a young and diverse nation into the freest and most prosperous nation in all of human history.

Enacting these and other innovative policies to reform higher education should be among our most urgent priorities. Because what is at stake is our very identity as an exceptional nation.

This new post-industrial economy offers great promise, but it has also created widespread economic insecurity. Millions live one broken-down car, one destructive storm, one serious illness away from financial collapse. People who worked their whole lives in one industry have watched their jobs disappear. Parents are heartbroken knowing their children did everything they were told they need to do to succeed, but now can't find a job in the field they studied for.

The Great Recession brought about much of this insecurity. But in some ways it only sped up changes that were already happening. And it's left so many feeling as if a better tomorrow is increasingly out of reach for people like them.



CHALLENGE THREE:

Reforms To Spark Economic Growth



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Encouraging bold innovation
 - Defend internet freedom by making the current multi-stakeholder system the official policy of the United States.
 - o Reallocate wireless spectrum for commercial use
 - Pass the America Innovates Act to encourage cooperation between our network of national labs and the private sector.
- Expand the markets for American products and services
 - o Enact free and fair trade policies
 - o Promote energy exports and support the American energy boom
- Make America the best place in the world to invest
 - Pass pro-growth tax reform that allows 100% expensing for businesses and implements a territorial system of taxation.
 - Enact a national regulatory budget to reign in unnecessary federal regulations.

ENCOURAGING BOLD INNOVATION

IDEA #14: DEFEND INTERNET FREEDOM

Rubio: "If the first 14 years of this century have been any indicator, much of our groundbreaking innovation will take place in the vast, still unexplored realm of digital media, particularly with devices and services related to the Internet."

- THE CHALLENGE: Internet freedom is under assault. There are currently forty-two nations known to restrict or censor their people's online access. Many of these nations now wish to take this further by exerting control over the way the Internet is governed and regulated internationally.
- THE SOLUTION: Senator Rubio plans to propose making the current multi-stakeholder system the official policy of the United States. This bottoms-up model of internet governance consists of independent boards, governments, businesses, civil society and others. The United States must remain a leader in advocating for global internet freedom, and this bill ensures that we are on the record as the premier global advocate for a nongovernmental, multi-stakeholder model of internet governance. The potential legislation may also include the following:
 - The world deserves the access to knowledge and economic benefits that the Internet provides and that are the bedrock of democratic self-governance;
 - The structure of Internet governance has profound implications for competition and trade, democratization, free expression, and access to information;
 - Proposals to fundamentally alter the governance and operation of the Internet would diminish freedom of expression on the Internet in favor of government control over content.

IDEA #15: REALLOCATE WIRELESS SPECTRUM

Rubio: "We must also recognize that, here at home, too much of the digital realm is blocked by unnecessary federal restrictions. The more spectrum and bandwidth we can open up to the private sector, the more jobs it can create."

- THE CHALLENGE: The demand for wireless data is growing exponentially, and mobile data traffic is expected to be eleven times as high by 2017. But the amount of wireless spectrum currently allocated for commercial purposes and technology development is not enough to meet this demand, and the federal government controls too much wireless spectrum for its own purposes.
- THE SOLUTION: Senator Rubio introduced S. 2473, the Wireless Innovation Act, to increase wireless broadband access and affordability. His bill will reallocate spectrum currently controlled by the federal government for commercial wireless services, ensure greater transparency and accountability of the federal government's spectrum use, and promote wireless deployment and innovation.
 - The bill requires 200 MHz to be reallocated for commercial use. Estimates indicate this could add as much as \$35 billion to our GDP and create 140,000 jobs.
 - By establishing an auction pipeline to reallocate the 200 MHz in a clear and predictable manner, this bill provides marketplace certainty so the wireless industry and entrepreneurs and make investments, develop products and applications, and deploy infrastructure.
 - S. 2743 requires an analysis of agency requests for new or modified frequency

assignments for a wireless service, including whether commercial services could be used instead of new frequencies and whether the frequency could be shared with another agency, to promote more efficient spectrum use.

 The bill requires the federal government to determine the commercial value of the spectrum it uses.

IDEA #16: THE AMERICA INNOVATES ACT

Rubio: "The federal government has a limited but important role in supporting the basic research that will make this [innovation] possible. Agencies such as NASA, the National Institutes of Health, and even the Department of Defense have historically been effective incubators of research, and can continue to serve as a pipeline for private sector innovation."

- THE CHALLENGE: Our network of national labs has also long been a leading source of research in important fields. But they currently lack the ability to work with the private sector to translate this research into American jobs.
- THE SOLUTION: *Rubio*: "That is why I, along with Senator Chris Coons, recently filed a bill called *the America INNOVATES Act* that will make it easier for our labs to work together with businesses to bring groundbreaking research to fruition in the marketplace."
 - The bill will also direct the Department of Energy to implement best practices to improve operations and management across the National Lab complex; and
 - Give startups more access to cutting edge facilities at the national laboratories.

EXPANDING THE MARKETS FOR AMERICAN PRODUCTS AND SERVICES

IDEA #17: FREE AND FAIR TRADE POLICIES

Rubio: "[W]e need trade policies that make it easier for our products to reach a global network of consumers."

- THE CHALLENGE: Much of the rest of the world is ahead of America in adapting and taking advantage of our modern global economy. This puts us at a completive disadvantage and causes our businesses to miss out on opportunities to expand into international markets.
- THE SOLUTION: *Rubio*: "With carefully crafted trade policies, we can help tens of thousands of small businesses.... That is why I support trade promotional authority for the President. And it's why I support continued efforts to pursue regional and bilateral trade agreements such as the Trans-Pacific Partnership with developed economies in Asia and Latin America, and the Transatlantic Trade and Investment Partnership with Europe."

IDEA #18: PROMOTE ENERGY EXPORTS AND SUPPORT THE AMERICAN ENERGY BOOM

Rubio: "And as we open up these avenues for trade, we will also see growing opportunities to export American energy. As hundreds of millions around the world become drivers and move into modern homes, selling some of our vast energy resources will lead to explosive growth and higher paying jobs here at home."

• THE CHALLENGE: Many of the regulations affecting energy transport on the books today are decades old. They've resulted in a sluggish administrative certification process, which often leads to years of litigation or – as we've seen with the Keystone Pipeline – a seemingly endless wait while bureaucrats in Washington fight amongst themselves.

- THE SOLUTION: Streamline the regulatory review process for natural gas pipelines so that instead of being tied up in lengthy reviews with Washington bureaucrats the private sector can build the infrastructure necessary to capitalize on the American energy revolution.
 - Rubio also supports eliminating the barriers that prevent us from exporting our natural gas and oil abroad, such as the outdated ban on crude oil exports dating back to the 1970s.

MAKING AMERICA THE BEST PLACE IN THE WORLD TO INVEST

IDEA #19: PRO-GROWTH TAX REFORM

Rubio: "Investment is what creates higher paying jobs. Someone invests money to either start a new business or grow an existing one. My father had a job at a hotel as a bartender, and my mother as a maid, not because the government had opened that hotel but because someone had the money to invest in starting that business. But in the years since, the growth of government has made this harder to do not easier."

- THE CHALLENGE: Our combined corporate tax rate is nearly 40%, while the global average is under 25%. On taxes alone, it is more expensive to invest and create jobs in America than in most other developed economies in the world.
- THE SOLUTION: *Rubio*: "I am currently working with Senator Mike Lee on a broad pro-family and pro-growth tax reform plan the kind Jack Kemp was such a tremendous champion for. Our proposal will encompass both the individual and business sides of the Internal Revenue Code, and will prioritize replacing our current corporate & pass through business tax system with a model that would allow all businesses to take a full and immediate deduction for all investments, which will not only result in a lower federal income tax burden but will create a strong incentive to invest in job growth."

- Post-investment profits would then be taxed at an equal rate for all entities on the business side, including S corporations, C corporations, partnerships and sole proprietors.
 - This would end the crony capitalist loopholes that have long benefited large and politically connected corporations.
- The reforms would also institute a territorial system of taxation, allowing American companies to bring revenues earned overseas and already taxed overseas back into the American economy without being taxed again.
 - The fact that the vast majority of developed economies in the world already have a territorial tax system – including all other G8 nations – has put American companies at a major competitive disadvantage.

IDEA #20: NATIONAL REGULATORY BUDGET

Rubio: "Regulations are another impediment to investment. For free enterprise to work, it needs a reasonable regulatory system that ensures safety, protects consumers and achieves fair competition. But what we have now is a thick shell of federal regulations that restrict private sector growth."

- THE CHALLENGE: Our modern, bloated regulatory system is too often used as a weapon by politicians to target industries they do not like, and as a tool by established industries and big businesses to hold back competition.
- THE SOLUTION: Establish a National Regulatory Budget (NRB). The budget would be set by a new independent federal agency, which would be tasked with estimating the cost of all existing federal regulations and setting an amount each agency's regulations would be allowed to cost the economy.

- If issuing a new regulation would place the agency over the cap, it would be prohibited from issuing the new regulation unless it withdrew other regulations so that it remained under the NRB cap.
- All new regulations would be required to receive an estimate from the independent estimating agency before they could be implemented.



REACTION TO SENATOR RUBIO'S ECONOMIC GROWTH PROPOSALS...

Avik Roy: "Conservatives are really good at complaining about what they're against. Sen. Marco Rubio (R., Fla.) is taking a different tack: he's laying out a thoughtful reform agenda that explains what Republicans could be for." (Avik Roy, "Marco Rubio's Important New Proposal For Containing The Costs Of Federal Regulation," Forbes, 3/10/2014)

- Roy: "Rubio's idea tackles the largest, and least-covered, drag on the U.S. economy." (Avik Roy, "Marco Rubio's Important New Proposal For Containing The Costs Of Federal Regulation," <u>Forbes</u>, 3/10/2014)
- Roy: "Today, Sen. Rubio proposed six ideas for expanding economic growth, including reallocating wireless spectrum, federal R&D reform, trade promotion authority, energy reform, and tax reform. But the most important of these—the one with potentially the most profound impact on the economy—was his conception of a 'National Regulatory Budget." (Avik Roy, "Marco Rubio's Important New Proposal For Containing The Costs Of Federal Regulation," *Forbes*, 3/10/2014)

• Roy: "It's high time we did something about this problem, and Sen. Rubio is to be saluted for bringing it to the public's attention. It may not have the right-wing sex appeal of comparing Obamacare to slavery, but it will make a bigger difference in the life of every American." (Avik Roy, "Marco Rubio's Important New Proposal For Containing The Costs Of Federal Regulation," *Forbes*, 3/10/2014)

Tax Foundation's Kyle Pomerleau: "Nonetheless, [Rubio's] two reforms are vital pieces to any fair, neutral, pro-growth tax system." (Kyle Pomerleau, "Two Pro-Growth Tax Reform Proposals from Senator Marco Rubio," <u>Tax Foundation</u>, 3/11/2014)

- Pomerleau: "Rubio's plan would get rid of this complicated capital cost recovery system and move to full immediate expensing for businesses. Allowing businesses to immediately write-off the full cost of capital investments, as they do with wages and raw materials, would reduce the cost of capital, create an incentive to invest, and lead to higher wages for workers and greater economic growth." (Kyle Pomerleau, "Two Pro-Growth Tax Reform Proposals from Senator Marco Rubio," Tax Foundation, 3/11/2014)
- Pomerleau: "Moving to territorial would put U.S. corporations on an even footing with their foreign competition, rid the tax code of some of its most complicated features, and remove the incentive businesses face to keep profits overseas." (Kyle Pomerleau, "Two Pro-Growth Tax Reform Proposals from Senator Marco Rubio," Tax Foundation, 3/11/2014)

Pomerleau: "These reforms are not the only changes that the United States needs to make in order to have a fair, neutral, and pro-growth tax system, but moving to full expensing and a territorial system are necessary steps the U.S. has to take to get there." (Kyle Pomerleau, "Two Pro-Growth Tax Reform Proposals from Senator Marco Rubio," <u>Tax Foundation</u>, 3/11/2014)

THE SPEECH

"Sparking Dynamic Growth in 21st Century America" Kemp Forum – Google Headquarters Washington, DC March 10, 2014

As a young boy, I would sit for hours on the porch of our home listening to my grandfather's stories about history and his life. He was born in rural Cuba in the last year of the 19th century, at a time when there were still no planes in the sky. But just 70 years later, he watched an American walk on the moon.

His life spanned a time of extraordinary progress and change. He marveled at the opportunities this new world presented. And in his stories, I sensed that he wondered what he could have achieved had he been born in a different time and place.

My grandfather loved this country and he never took it for granted, because he knew what life was like outside of it.

He knew first hand that for almost all of human history, economic prosperity belonged primarily to those born into families with power and influence. And he knew America was different, because it was founded on the belief that every human being has a God given right to pursue a happy life. It put in place a free enterprise economy that rewards merit and work rather than social status and privilege.

For over two hundred years, equal opportunity has defined us as a nation and a people. In fact, it is so closely associated with us that the universal desire of all people to achieve a better life has come to be known as the American Dream. It is not a Dream about acquiring wealth or fame. It's about having the opportunity to achieve happiness, to be free to worship as you choose, to raise a family safely and securely, to do meaningful and rewarding work, and to give your children a chance at a life better than your own.

Long before I ever heard the term "American Dream," my grandfather instilled in me a belief in its underlying truth. And years later, I came to fully understand why he spent so much time talking with

me about his own life growing up. He wanted me to know that, unlike him, I was blessed to have been born in the one place on earth where the son of a bartender and a maid could dream and achieve the same dreams as a child born into privilege.

This remains a country where you can get ahead through hard work and determination. But we cannot deny that achieving this has become increasingly difficult for millions of Americans. A growing number of our people are gripped by economic insecurity, haunted by the realization that they are one bad break away from financial ruin. Despite their hard work, they feel they can't get ahead. And they fear that they will be unable to give their children a chance at a life better than their own.

As a result, many are losing confidence in the American Dream. And we are left with a growing sense that the economic mobility and equality of opportunity that has defined our nation for so long is now eroding.

This is not without cause. Today, children born into poor families in places like France or Canada have a better chance of emerging from it than poor children in America. This erosion of mobility and opportunity would be a problem for any nation, but for ours it is an urgent crisis. Because equal opportunity is at the core of our national identity. There cannot be an America without the American Dream.

While we've had recessions and depressions before, in those instances the average recovery took 33 months. Our current recovery stands at 54 months and counting, and our feeble annual growth rates of two or three percent don't offer much hope that it will end soon. In fact, the economy was projected to have grown by 3.2% in the last quarter of 2013. But even that paltry

number turned out to be wishful thinking, as it was recently revised down to 2.4%.

Even more troubling are the projected long-term trends. The projected gross domestic product is a measure of the maximum amount of GDP we can achieve if we are operating using all of our resources and at near full employment. Just two weeks ago the Congressional Budget Office revised its estimate for potential GDP in 2017, and it is 7.3% lower than the original forecast they made in 2007. This would mean a loss of \$1.5 trillion in economic growth. A troubling sign that not only are we failing to reach our potential, but unless we address the trends creating this erosion, the losses we suffered in the great recession threaten to become permanent.

This anemic growth and economic underperformance is not just due to the recession that began in 2007. It is primarily the result of trends that began well before then, a rapid, fundamental economic transformation that Washington hasn't even begun to seriously address.

While the 84 years my grandfather lived in the last century brought historic progress, the 21st century is seeing even greater and more rapid change.

We no longer operate in a simply national economy, we are now a vital participant in a global one. Things happening on the other side of the world can have a larger impact on our lives than things happening on the other side of town.

This new economy comes with both exciting opportunities and vexing challenges. A global middle class has emerged that is eager and willing to buy the services we provide, the products we build and the food we grow – but it is also eager and willing to compete with us for jobs and business.

Advances in technology have made communication, learning and work faster and more productive – but it has also allowed machines to replace many of the jobs people once relied upon to improve their lives.

And while we still have many jobs that cannot be outsourced or automated, the wages many of those jobs now pay have not kept pace with the growing cost of child care, health care and education.

The problem is that while we are feeling the full brunt of the disruptions created by this economic revolution, its opportunities are not reaching enough Americans. And so the enormous challenge before us is to help more people overcome these problems and access the promise of our time.

The good news is that no nation on earth is better prepared to do this than ours. Another American century is within our reach. But achieving this will require us to replace the antiquated policies and institutions of the last century with ones built for this new era.

In the middle of the last century we began a war on poverty. But five decades later these efforts remain incomplete. While the anti-poverty programs in place today help alleviate the pain of poverty, they do not help enough people emerge from it. So earlier this year I proposed a wage enhancement credit that would encourage work. And I proposed streamlining our anti-poverty programs into a fund that would allow states to design their own creative initiatives.

The 20th century made higher education an option for more people than ever. But today our current system of higher education has become too expensive and too inflexible. It offers limited options for those who do not need and do not want a traditional four-year degree. And it is graduating too many people with degrees that lead to massive student loan debt rather than jobs.

In the 21st century, higher education will no longer be an option for some, it will be a necessity for all. That is why earlier this year I proposed creating additional pathways to earning a degree or vocational certification, as well as new ways to open employment opportunities to those with non-traditional educations. In fact, Google is a leader in this practice. One out of every seven Google hires does not have a traditional bachelor's degree.

Addressing our antiquated antipoverty programs and reforming our education system are both important initiatives. But ultimately, in order to harness the promise of a new era and build another American Century, we will need millions of new middle and higher-wage jobs.

We will face unprecedented global competition for these jobs. It is a competition we can win, but not unless we reform our current polices in Washington.

Today I am grateful for this opportunity to share with you a few reforms that will position us to compete and win in this new global economy.

These policies are built on two fundamental principles.

First, there is no better economic model for equality of opportunity than the American free enterprise system. More government is often presented as the best way to help those trying to get ahead in life. But in fact, the bigger the government, the more your ability to influence that government determines your chances of success. Only a free enterprise system that rewards merit and work can promote the upward mobility we seek.

The second principle is that we cannot rebuild the American Dream when 43% of new jobs pay less than \$16 an hour and our economy is growing at only two or three percent a year. I worry Washington has begun to accept this bleak reality as the new normal. Rather than focusing on policies that give the American people access to an entire banquet of economic opportunities, Washington is arguing over how best to divide up the scraps. Look at the fervor surrounding the minimum wage debate. A \$10.10 minimum wage is not the American Dream. We need jobs that pay \$30, \$40, \$50 an hour, and we need to equip more of our people to fill them.

With these two principles in mind, here are three avenues of reform that will help us achieve another American Century.

First, we need new policies that encourage bold innovation.

Making more of what we already produce can grow the economy. But innovating a new service or product can transform it. And we Americans innovate better than anyone else.

From the automobile to the airplane, from the personal computer to the Internet, from biomedicine to social media, just think of all the jobs and careers

that now exist as the direct result of American ingenuity.

These innovations have not sprung simply out of a desire to earn money. They come from something deeper. Something in the hearts and minds of our people that sets us apart from the world. And that is the profound desire to create. To innovate. To build. To take the resources given to our nation and carve something out of them that is beautiful and lasting. We want to build products and companies that change not just our lives – not just the numbers in our bank accounts – but that change the world, and for the better.

The power of innovation is present in this room right now. You have technology in your pocket that couldn't fit in an entire room 30 years ago. But 30 years from now, this technology may fit on the tip of your finger, or in a single blood cell. This progress is happening whether we like it or not. The question is whether Americans will continue to stand at the helm of discovery, or fall behind and watch others take our place.

Right now, we remain the world's leading innovators. Think of all the examples of modern American ingenuity. We can scarcely go a week without hearing of new futuristic products being developed in the secret labs of GoogleX. Or look at SpaceX, which has revolutionized a once government-dominated industry and helped revitalize the Space Coast in my home state of Florida. And every year, Americans launch thousands of innovative startups in every conceivable field.

The result is that with these new forces of innovation, plus the established manufacturing and production strength of our nation, 20% of the world's goods are now made in America. And another 15% are made by American companies in other countries. So combined, our people – who make up just 4% of the world's population – produce at least 35% of the world's products.

And we produce the right products. While it's true China may produce more toys and shoes and toothbrushes than us, America is the global

leader in high-value production. Our people create and build the airplane engines and medicines and medical devices that are used all over the world.

The exciting part is that as much as we innovate now, we could be doing even more. But Washington puts up a blockade of restrictions, regulations, and taxes that prevent innovators from accessing the full range of opportunity offered by American free enterprise. But with new pro-innovation policies, we can collapse this barrier and open new pathways to accessing our 21st century economy.

If the first 14 years of this century have been any indicator, much of our groundbreaking innovation will take place in the vast, still unexplored realm of digital media, particularly with devices and services related to the Internet. In just the last twenty years, the web has forever changed each and every industry in our economy. And this revolution will not slow down. As seemingly ubiquitous as the Internet is now, web traffic is expected to be thirteen times as high by 2017.

Ensuring that our people's access to the Internet remains free and open is not some obscure technological discussion – it is now central to human freedom. Given this, it is not surprising that Internet freedom has many enemies. Since the web is worldwide – and since it has proven such an effective catalyst for pro-democratic revolution – it has become a battleground that many fight to control. There are currently 42 nations known to restrict or censor their people's online access. Many of these nations now wish to take this further by exerting control over the way the Internet is governed and regulated internationally.

The current bottom-up, multi-stakeholder model that governs the web consists of independent boards, governments, businesses, civil society and others. This model may currently be a topic of debate, but no one can question that it has been wildly effective thus far at promoting a free and open Internet. But now many governments are lobbying for regulatory control by the United Nations or a governmental regime.

Opposing this takeover and preserving Internet freedom must be a top national priority. That is why

I will soon introduce legislation to make the multistakeholder system the official policy of the United States.

We must also recognize that, here at home, too much of the digital realm is blocked by unnecessary federal restrictions. The more spectrum and bandwidth we can open up to the private sector, the more jobs it can create.

Wireless Spectrum now serves the same role as roads and highways. It is a critical means of conducting commerce and getting our products to market. And if spectrum is the highway of the digital age, we know that this highway is getting crowded and traffic will only continue to get worse.

If we do not address it, innovations will go unrealized. Consumers will face more dropped calls, over-capacity networks and higher prices.

But the shortage of wireless spectrum is about more than personal inconvenience. It is about individual opportunity and economic mobility. Estimates are that for every 500 MHz of spectrum made available for commercial use, an additional \$87 billion is added to our GDP and 350,000 jobs are created.

To capitalize on this potential, I will soon introduce legislation to increase wireless access and affordability. My bill will reallocate spectrum currently controlled by the Federal government for commercial wireless services.

The resulting innovation will create thousands of jobs. But our efforts to expand innovation should not be limited to technology. We must remain a global pioneer in fields such as science, medicine and energy.

The federal government has a limited but important role in supporting the basic research that will make this possible. Agencies such as NASA, the National Institutes of Health, and even the Department of Defense have historically been effective incubators of research, and can continue to serve as a pipeline for private sector innovation.

Our network of national labs has also long been a leading source of research. But they currently

lack the ability to work with the private sector to translate this into American jobs.

That is why I, along with Senator Chris Coons, recently filed a bill called the America INNOVATES Act that will make it easier for our labs to work together with businesses to bring groundbreaking research to fruition in the marketplace.

This research will be critical to sparking innovation, and innovation will be critical to creating higher paying jobs in this new century. But innovations can only lead to more jobs if innovators have access to more customers. The emergence of a global middle class has created more potential customers than ever for our products and services, yet our trade barriers and domestic restrictions keep too many American businesses out of these emerging international markets.

Globalization is already a fact, but much of the rest of the world is ahead of us in adapting and catching up to it. So after spurring innovation, our second goal for reform must be to expand the markets for American products and services by actively engaging in today's global economy.

First and foremost, we need trade policies that make it easier for our products to reach a global network of consumers.

Take for example a family owned trucking company that transports export products from manufacturers to ports. There are now billions of people around the world who want to and can afford to buy these American products. If we could make it easier to ship to those countries, the volume of work this trucking company has could grow dramatically. This means that not only will they make more, but they will need to hire more drivers and buy more American made trucks.

Carefully crafted trade policies could be a boon to tens of thousands of small businesses like this one. That is why I support trade promotional authority for the President. And it's why I support continued efforts to pursue regional and bilateral trade agreements – such as the Trans-Pacific Partnership with developed economies in Asia and

Latin America, and the Transatlantic Trade and Investment Partnership with Europe.

And as we open up these avenues for trade, we will also see growing opportunities to export American energy. As hundreds of millions around the world become drivers and move into modern homes, selling some of our vast energy resources will lead to explosive growth and higher paying jobs here at home.

Despite burdensome federal rules and red-tape, the United States has experienced a spike in energy production in recent years. We produced nearly 14% more energy in 2012 than in 2005 and this is projected to rise steadily in the years ahead.

Nonetheless, we must remember that we are in constant competition with other global energy producers. To stay competitive, we must promote access to our nation's abundant resources. This means supporting rail transport for crude oil, which has recently come under regulatory attack. But it also means constructing a more efficient, modernized infrastructure to ease the transport of oil and natural gas.

The interstate highway system of the last century helped foster an explosion of economic opportunity. An interstate energy pipeline would have a similar impact in this century.

The good news is that – unlike the interstate highways of the 1950s – the private sector, not taxpayers, can and will pay for this new system. What we need from government is a reduction or elimination of the regulations that are preventing the private sector from doing this.

Many of the regulations affecting energy transport on the books today are decades old. They've resulted in a sluggish administrative certification process that often prompts years of litigation or – as we've seen with the Keystone Pipeline – a seemingly endless wait while bureaucrats in Washington argue the details.

In fact, an effort is underway to build a natural gas pipeline into Florida but, before construction

can even begin, the businesses involved have to spend months under the review of as many as six different federal agencies.

So we should explore ways to streamline the regulatory review process for natural gas pipelines. And we must eliminate the barriers that prevent us from exporting natural gas and oil abroad, such as the outdated ban on crude oil exports that dates back to the 1970s.

Fully benefiting from the opportunities of the 21st century will require us to reform policies such as these that put us at an international disadvantage, and this includes more than just energy policies.

From our tax code, to our regulatory system, to the dark cloud of federal debt that hangs over our economy, America has steadily become less and less appealing to entrepreneurs and job creators. Not long ago, there were only a handful of economies on earth to compete against, but today there are dozens of countries vying for the modern jobs that our people need.

So after sparking innovation and expanding markets for our products, our third avenue of reform must be to make America the best place in the world to invest.

Investment is what creates higher-paying jobs. My father had a job at a hotel as a bartender and my mother as a maid – not because the government had opened that hotel – but because someone somewhere had decided to invest in starting it. But in the years since, the growth of government has made this sort of job-creating investment harder, not easier.

We now have the highest corporate tax rate of any advanced economy in the world. Combining federal and state taxes, our corporate rate is nearly 40%, while the global average is under 25%. Just on taxes alone, it is more expensive to invest and create jobs in America than in most other developed economies in the world. If we stick with this status quo, we risk losing the next great American company before it has the chance to begin.

That is why Senator Mike Lee and I have dedicated ourselves to the development of a new,

modernized tax reform plan – one that is broad and fundamentally pro-growth. Our proposal will encompass both the individual and business sides of the tax code, and will prioritize replacing our current business tax system with a new globally competitive model.

The reforms we are considering would allow businesses to take a full and immediate deduction for all investments. This fair and equal treatment would end the crony capitalist loopholes that benefit politically connected corporations. Allowing businesses to immediately write-off all investments will not only result in a lower tax burden, it will create an incentive to invest, leading to job growth.

Take the example of a business that brings in \$50,000 per month. Let's say \$20,000 of this goes to basic operating costs. That leaves the owner with a \$30,000 profit. Now the owner has to decide: do they withdraw and spend the \$30,000 or do they take some of it and use it for investments that would grow the business, allowing it to hire more people?

Under the current system, the safe thing to do is to leave it in the bank. We see evidence of this in the fact that American businesses are sitting on an estimated \$4 to \$5 trillion in uninvested cash. That's more than the size of the German economy, and twice as large as the entire economy of Russia.

Instead of being invested to grow and hire, this cash is just sitting there. But under the changes we are working on, the more a business invests, the less the federal government gets to take away. That serves as a powerful incentive to invest, grow, hire and give raises.

Our current tax system also discourages growth by placing major obstacles in the path of companies wishing to participate in our global economy. As I mentioned earlier, about 15 to 20% of the products made in the world are made by American companies operating overseas. Despite this, under our current tax laws, if an American business makes money in Japan, for example, they have to pay taxes in Japan. But if they want to take that money and bring it back to America to open a new factory, they would also have to pay U.S. taxes on the same money.

We can fix that by implementing what 28 of the 34 OECD countries already have: a territorial system of taxation. The fact that the vast majority of developed economies in the world already have a territorial tax system – including all other G8 nations – has put American companies at a major competitive disadvantage.

In addition to tax reform, we also need to remove the impediments to investment put in place by government. Chief among these are a health care law that has led to uncertainty, insecurity and rising costs; a national debt that stands at a staggering, hulking \$17 trillion and only continues to rise; and a regulatory code that has become at best a burdensome and unnecessary distraction, and at worst an attempt on the part of some to rig the game and pick winners and losers.

All three of these are – in their own ways – directly contributing to the decrease in private sector investment, as well as the economic insecurity felt in households across America.

ObamaCare, for one, has become the single largest impediment to job creation today. It is a perfect storm of federal mandates, costly regulations, and aggressive marketplace intrusions that – taken together – threaten jobs and economic growth on a historic scale. Repealing and replacing it with market-based reforms is the only option.

To bring the debt under control, we need to limit spending and reform the entitlement programs that drive our long-term fiscal imbalance. To that end, the budget that President Obama introduced last week was a missed opportunity. Washington cannot wait for a debt crisis before solving this problem.

And lastly, our invasive regulatory code needs a taste of its own medicine – it needs to be restrained and restricted. We can do this by establishing a National Regulatory Budget. The budget would be set by an independent board, which would be tasked with estimating the cost of all existing federal regulations and setting an amount each agency's regulations would be allowed to cost the economy. This would force federal agencies to enact only those regulations that serve an essential role.

Confronting the threat of ObamaCare, our federal debt and our burdensome regulatory system would go a long way toward restoring the certainty that leads to private sector investment.

All of the policies I've outlined today are important in their own right, but each is like a single brushstroke. Only when they are combined together do we see what they really create: a grand illustration of American potential in the 21st century.

As I mentioned earlier, we are already able to say that 20% of the products made and sold in the whole world are made in America. But imagine when we combine this existing depth of manufacturing capability with the trillions in private money waiting to be invested in our economy, plus a creative and well trained workforce, plus access to more wireless spectrum, abundant domestic energy and millions of new global customers. The American economy will take off at a historic rate, creating hundreds of thousands of high-paying jobs.

This is the exciting opportunity before us. We no longer have the luxury of wasting time on the failed promises of big government or the divisive rhetoric of class warfare. The world around us is changing quickly, and we have waited for far too long to change with it. We still have time to build a new American Century, but we do not have forever.

We should not take for granted how blessed we are to be Americans. We inherited from those before us the most exceptional nation in human history: a truly unique place where the dreams that were impossible almost everywhere else became possible here.

Some say American Exceptionalism is a national myth we perpetuate simply to make ourselves feel better. But I for one know it is not myth. I have seen it with my own eyes and been touched by it in my own life.

My parents were both born into poor families in another land. And by the grace of God they found their way here.



Their lives were never easy. They both worked well beyond retirement age. They never became rich or famous. They weren't able to leave us any money or even help us pay for college. And yet they lived the American Dream.

Because here they were given the opportunity to live happy and fulfilling lives. To own their own home where they raised a family in a safe and stable environment.

They had dignified work that paid enough to provide for their children. And they gave us the chance to achieve our own dreams and a life better than their own.

This was their version of the American Dream. It gave purpose to their work. And it made them feel that their own lives mattered. That even though they never made it big, through us they had made a mark in this world. And everything they had been through was not in vain.

This is the true meaning of the American Dream. To have the freedom to decide the kind of life you want and to have the real opportunity to achieve it. This Dream is neither dead nor doomed. But it is also not self-perpetuating. Each generation before us has had to step up to protect it and expand it. And now the time has come for us to do the same.

We live in an uncertain and insecure time. The world around us is changing and many of the paths we once relied upon to take us to our dreams no longer do. But there are new paths waiting to be opened. And they can bring more people to that dream than ever before.

This is the exciting opportunity before us. To usher in a new era of opportunity and prosperity. One better than anything the world has ever seen before. To bring about yet another American Century greater than the one we leave behind. And in doing so, to write the latest chapter in the story of the greatest nation the world has ever known.



CHALLENGE FOUR:

Reforms To Ensure A Secure Retirement For Seniors

SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Open the Federal Thrift Savings Plan to the American people
- Eliminate Social Security payroll tax for seniors
- Eliminate the retirement earnings test
- Raise the Social Security retirement age for younger workers
- Reform method for calculating initial benefits
- Transition Medicare to a premium support system

IDEA #21: OPEN THE FEDERAL THRIFT SAVINGS PLAN TO THE AMERICAN PEOPLE

Rubio: Rubio: "[T]he twisted irony is that members of Congress – who are employees of the citizens of the United States – have access to a superior savings plan, while many of their employers – the American people – are often left with access to no plan at all."

- THE CHALLENGE: The best way for Americans to guarantee security in retirement is to gradually build a nest egg of savings. Yet 36% of Americans have less than \$1,000 saved up for retirement many of them with nothing saved at all. 75 million Americans are working for employers that do not offer a retirement plan.
- THE SOLUTION: Members of Congress and other federal employees have access to a retirement savings and investment plan called the Thrift Savings Plan, or "TSP," which is analogous to a traditional employer-sponsored 401K. It is one of the most efficient savings plans in America today, with shockingly low costs and high rates of return. The federal Thrift Savings Plan should be made an option for those who do not have access to an employer sponsored plan.
 - Matching funds would not be available to those who are not federal employees.
 - The changes necessary to accommodate the American people into the TSP would be primarily administrative. The same infrastructure would continue to be used. The change would be the size of the funds and the size of the support and administrative staff necessary to supervise it.

IDEA #22: ELIMINATE SOCIAL SECURITY PAYROLL TAX FOR SENIORS

Rubio: "[W]e need to ensure that older workers have the ability to work as long as they need or want without being punished for it."

- THE CHALLENGE: As the tax code is currently written, those who keep working past retirement age continue to pay Social Security taxes while receiving almost no extra benefits in return. This encourages some seniors to quit the workforce before they would otherwise.
- THE SOLUTION: Rubio: "In order to remove this disincentive to work, we should eliminate the 12.4% Social Security payroll tax for all individuals who have reached retirement age. These seniors have already paid their fair share, and we shouldn't punish them for choosing to keep working rather than immediately cashing in."
 - Eliminating this tax will also help seniors accelerate their savings by letting them keep more of their money.
 - It could make older workers more attractive to employers, since the employer's half of workers' payroll taxes would also be eliminated.
 - Eliminating the Social Security payroll tax for seniors will likely result in older Americans choosing to work longer, which in turn will lead to an increase in federal income tax revenue.
 - Seniors who choose to keep working will improve their personal retirement security and decrease their dependency on federal assistance programs.

IDEA #23: ELIMINATE THE RETIREMENT EARNINGS TEST

Rubio: "Here is what is even more puzzling about this policy: it doesn't save any money. Because when a senior hit by this tax finally reaches 65, their benefits are hiked way up to make up for any loss caused by the Retirement Earnings Test. ... We should eliminate this test altogether."

- THE CHALLENGE: Those who choose to claim their benefits early while they continue to work are subject to what's called the Retirement Earnings Test. Under this test, benefits are reduced approximately 50 cents for every dollar a person between the ages of 62 to 65 earns in excess of \$15,000 a year.
- THE SOLUTION: *Rubio*: "We should eliminate this test altogether. One economist estimates that abolishing the Retirement Earnings Test would raise employment among early retirees by 5.3%, a significant increase for a reform that has no long-term budgetary cost."

IDEA #24: RAISE SOCIAL SECURITY RETIREMENT AGE FOR YOUNGER WORKERS

Rubio: "[I]n the past 80 years, Congress has only increased the retirement age by two years, from 65 to 67. This simply won't be enough in the long run.. The answer is to gradually increase the retirement age for future retirees to account for the rise in life expectancy. And if we act soon, we can do this without changing the retirement age for people who are currently over the age of 55."

- THE CHALLENGE: Life expectancy has risen enormously since the passage of Social Security, but the basic benefit rules have failed to adjust accordingly. If you turned 21 in 1940, your chances of living to retirement age were only about 55 to 60 percent. But if you turned 21 today, your chances are around 80%. This means we have more beneficiaries than ever for Social Security. And these beneficiaries, on average, are living another five to ten years longer than Social Security's earliest recipients. This has set Social Security on a path toward insolvency.
- THE SOLUTION: *Rubio*: "The answer is to gradually increase the retirement age for future retirees to account for the rise in life expectancy. And if we act soon, we can do this without changing the retirement age for people who are currently over the age of 55."

IDEA #25: REFORM METHOD FOR CALCULATING INITIAL BENEFITS

Rubio: "When my parents retired, they didn't have a nest egg of savings to rely upon. They leaned on Social Security to help them through — in fact, my mom still does. We need to make sure that seniors like my parents — who worked low wage jobs their whole lives — aren't consigned to poverty in old age."

- THE CHALLENGE: Many low-income seniors rely exclusively on Social Security, but find themselves barely above the poverty line. They need higher benefits in order to have a secure retirement, yet raising benefits for all seniors would put too much strain on the Social Security trust fund.
- THE SOLUTION: *Rubio*: "The answer is to reduce the growth of benefits for these upper income seniors while making the program even stronger for lower income seniors. This isn't a cut, it's simply a reduction in how fast the benefit will increase for wealthier retirees. Doing this will add years to Social Security's solvency. It is one of the best ways to save the program for high-income and low-income beneficiaries alike."

IDEA #26: TRANSITION MEDICARE TO A PREMIUM SUPPORT SYSTEM

Rubio: "When it comes to a broad and comprehensive Medicare reform plan, let's learn from the mistakes of ObamaCare and the successes of programs such as Medicare Advantage and Medicare Part D. Let's dramatically expand health care choices for seniors, spur competition in the marketplace and extend the solvency of the Medicare trust fund – all while making sure traditional Medicare remains an option."

- THE CHALLENGE: *Rubio*: "Medicare hospital insurance will go bankrupt in about 12 years and cease to exist. Again, this is not a scare tactic, it is simple math. In 2012, Medicare spending grew by 4.6 percent to about \$580 billion. And between now and 2022, this growth rate is expected to accelerate to around 7.4 percent per year. By 2026, the Medicare trust fund will run dry."
- THE SOLUTION: *Rubio*: "I propose we transition to a premium support system, which would give seniors a generous but fixed amount of money with which to purchase health insurance from either Medicare or a private provider. The choice would be theirs to make."
 - The government contribution would be fastened to either traditional Medicare or the average bid whichever is cheapest. This way, if seniors choose plans that cost more than that benchmark, they would have to pay the difference. If they choose cheaper plans, they would get to keep the savings.

REACTION TO SENATOR RUBIO'S PROPOSALS FOR ENSURING RETIREMENT SECURITY...

American Enterprise Institute's James Pethokoukis: "Rubio offers smart, pro-growth reform to strengthen retirement security" (James Pethokoukis, "Rubio offers smart, pro-growth reform to strengthen retirement security," AEI, 5/14/2014)

- Pethokoukis: "US Senator Marco Rubio is trying to modernize the creaky Republican policy agenda." (James Pethokoukis, "Rubio offers smart, progrowth reform to strengthen retirement security," AEI, 5/14/2014)
- Pethokoukis: "Directionally and substantively, Rubio's new retirement proposal, which he outlined Tuesday at the National Press Club, seems a solid step forward..." (James Pethokoukis, "Rubio offers smart, pro-growth reform to strengthen retirement security," AEI, 5/14/2014)
- Pethokoukis: "Rubio's fresh ideas would strengthen the safety net for lower-income folks and the self-employed, while also promoting economic growth by increasing savings and labor force participation." (James Pethokoukis, "Rubio offers smart, pro-growth reform to strengthen retirement security," AEI, 5/14/2014)
- Pethokoukis: "Indeed, he deserves credit for even tackling meaningful Social Security reform given its 'third rail' status." (James Pethokoukis, "Rubio offers smart, pro-growth reform to strengthen retirement security," AEI, 5/14/2014)

National Review's Reihan Salam: "Rubio's Social Security Reform Makes a Lot of Sense" (Reihan Salam, "Rubio's Social Security Reform Makes a Lot of Sense," <u>National Review</u>, 5/14/2014)

- Salam: "Over the last few months, Florida Sen. Marco Rubio has been releasing a series of domestic policy proposals, the most recent of which is the best yet." (Reihan Salam, "Rubio's Social Security Reform Makes a Lot of Sense," <u>National Review</u>, 5/14/2014)
- Salam: "Rubio has now offered a proposal that ought to serve as a model for conservative policy innovation." (Reihan Salam, "Rubio's Social Security Reform Makes a Lot of Sense," *National Review*, 5/14/2014)

- Salam: "Rubio doesn't just make the case for extending Social Security's lifespan. He also makes the case for modernizing the program to better meet the needs of retirees. (Reihan Salam, "Rubio's Social Security Reform Makes a Lot of Sense," National Review, 5/14/2014)
- Salam: "[H]is proposal is truly excellent, and I hope that other conservative lawmakers learn from it." (Reihan Salam, "Rubio's Social Security Reform Makes a Lot of Sense," *National Review*, 5/14/2014)

Commentary Magazine's Peter Wehner: "For the last several years the right has been very clear about what government should not be doing, or should be doing much less of. But it has not had nearly enough to say about just what government should do: what intellectually serious reforms it needs to make to improve the lives of (in particular) middle-class Americans. That's changing, thanks in good measure to people like Marco Rubio." (Peter Wehner, "Rubio and the Modernization of the GOP," Commentary Magazine, 5/14/2014)

- Wehner: "There are several notable things about Senator Rubio's speech... The first is the educative quality of the address, laying out the case for reform in a calm, reasonable, and empirical way. The second is an admirable candor." (Peter Wehner, "Rubio and the Modernization of the GOP," Commentary Magazine, 5/14/2014)
- Wehner: "What Senator Rubio is doing, then, is putting the Republican Party on the side of modernization and reform in contrast to reactionary liberalism, which is sclerotic and brittle, out of ideas and out of energy. This is precisely what needs to happen if the GOP hopes to become the majority party in America. Senator Rubio—energetic, engaging, interested in ideas, and cheerful rather than resentful—is among the most persuasive advocates for his party." (Peter Wehner, "Rubio and the Modernization of the GOP," Commentary Magazine, 5/14/2014)



THE SPEECH

"A Secure Retirement for 21st Century Seniors"

National Press Club

Washington, D.C.

May 13, 2014

My mother turned 80 the day I was elected to the U.S. Senate.

For me, that night was the culmination of a year and half in a difficult campaign. One that many people, including on occasion myself, had doubts I could win.

But for my mother, that night wasn't just an election, it was a living affirmation of the promise of the country she had come to love.

When she and my father came to America in 1956, they came with little more than their dreams of a better life. But even with the constraints of their old lives removed, they struggled off and on throughout the years.

The service jobs they took were not glamorous. But their hard work was dignified, because it allowed my parents to earn what they wanted most: a life of security in the great American middle class.

That night as she stood on stage with me, what she saw was the promise of America. Because just a few decades removed from poverty and struggle, her son had been elected to serve in the Senate of the most important nation in the history of the world.

That night would never have been possible without America. And it would never have been possible without the years of sacrifices my parents made for me. To allow me to pursue my dreams, they both worked well past retirement age.

My father still worked late nights as a banquet bartender until I graduated from law school, got my first job as an attorney, and was finally able to help them with the monthly bills. And even then, he still wanted to work, serving as a crossing guard at a grade school.

They never earned enough to have significant savings or a pension. It was Social Security and Medicare that allowed them to retire with comfort and security.

My father passed away just a few weeks before my election. In the last months of his life, Medicare allowed him to receive the palliative care he needed to die with dignity surrounded by the people who loved him.

My mother is still with me. In recent years her health has declined as well. Medicare pays for the care she now receives that has not only extended her life but also preserved its quality.

And Social Security continues to provide for her financial needs as she lives with my sister and her husband in the house my parents moved us to almost three decades ago. My mother is blessed to have come to a country where a life of hard work could be rewarded with a dignified retirement.

Now, almost four years into my service in the Senate, a question enters my mind from time to time. What would life have been like for me, and for my mother, if she had arrived in America as a young woman in 2006 rather than 1956? Could my parents still have found good paying work and made it to the middle class? And would Social Security and Medicare still be solvent by the time they were ready to retire?

I believe the American Dream my parents lived

is still possible. But among too many of our people, there is now a nagging sense that achieving it has become more difficult than ever. Financial security has faded for millions of Americans – and with it the hope of a stable and secure retirement.

The troubles of the last few years have forced millions to put retirement on hold indefinitely. It has even forced some to cut their retirement short and re-enter the workforce.

Each of the three legs of our traditional retirement stool – personal savings, pensions and Social Security – is wobbling. And if we do nothing, each of the three will likely cease to exist as we know them well before my generation enters retirement. The instability of each is caused by a variety of factors, yet they all share one common cause of decay: the lack of sustained economic growth.

This stagnation prevents wages from keeping pace with costs, affecting the ability of our middle class to save. It also affects the ability of states and companies to fulfill their pension promises. And as earnings stall and unemployment and underemployment spread, it contributes to the erosion of the tax revenue needed to finance Social Security and Medicare.

Economic stagnation has dealt an especially staggering blow to the retirement prospects of those middle aged and younger. Americans born after 1955 have a good deal more debt than generations before them. And late boomers and Generation-Xers – who already had low levels of assets – suffered significant losses during the Great Recession.

We all hear financial experts talk about how we should save for retirement. I remember not so long ago I would read about people my age who were "maxing out" to their 401Ks and saving for the future. I wondered how they could afford it. Between my student loan, car and mortgage payments, plus groceries and the kids' school tuition, we were living paycheck to paycheck.

I took comfort knowing that at least my home was rising in value and that we could one day sell it and use the profit to provide for us in our later years. But now many homes have lost much of their value. In fact, 9.3 million Americans now owe more than

their homes are worth.

And even for those able to put some money aside for retirement, persistently low interest rates have made savings accounts about as useful as piggy banks.

For many, their only hope is that Social Security will give them enough to get by. But the startling truth is that with an aging population, a sluggish economy, and chronic fiscal irresponsibility in Washington, the Social Security trust fund is drying up. It will be insolvent by 2033. For Medicare, that moment of truth will come even sooner.

Taken together, these factors have created a real and looming crisis. Fortunately, it will spare current retirees like my mother. But for my generation – and especially for my children's generation – the future of retirement is very much in doubt.

I turn 43 years old later this month. If nothing changes, by the time I reach full retirement age at 67, Social Security and Medicare will have been insolvent for years. This is not a scare tactic or a doomsday scenario concocted to spur action. It is a mathematical certainty if things remain unchanged. And the longer we wait to address this, the harder it will be to fix and the more disruptive those fixes will be.

Yet there appears to be no urgency about any of this. Instead, too many politicians lie in wait for their opponents to raise this truth so they can pounce. So they can accuse them of wanting to take away Medicare or Social Security.

I have no doubt that my suggestions today will be used against me, to try and convince seniors that I would change the benefits they worked so hard for and paid into all those years. It wouldn't be the first time I've had such attacks hurled in my direction. So let me address that here and now.

First, my mother depends on Medicare and Social Security. I will never support anything that would hurt my mother or retirees like her.

And second, anyone who is in favor of doing nothing about Social Security and Medicare is in favor of bankrupting Social Security and Medicare. With these two things in mind, I have come here today to share a few ideas on what can be done to avert our retirement crisis.

At the outset, I would mention that an agenda that cuts government spending and spurs economic growth is the single most important step toward stabilizing the three legs of the retirement stool. All of the reforms I've proposed so far in 2014 aim to create dynamic economic growth and, as such, they combine to form "step one" of my plan to ensure a secure retirement for 21st century seniors.

These reforms have targeted our federal anti-poverty programs, our higher education system, the factors inhibiting a secure retirement, and the policies keeping us from innovating and creating modern jobs. All will lead to growth, which will help Americans earn more and save more. No plan to avert a retirement crisis will work without robust and sustained economic growth in the years to come.

But while growth is essential, growth alone will not be enough. For the retirement system we have in place does not line up with the needs and realities of our post-industrial economy. In this new century, most people will live longer and voluntarily work longer. And many people will change jobs countless times, often in business for themselves or working for companies that do not offer retirement savings plans or pensions.

Therefore, our retirement programs must be modernized and restructured to address the new economy that is here to stay. Today I am proposing that we do so by pursuing three broad reform goals.

The first goal is to make it easier for people to save more and work longer.

The best way for Americans to guarantee security in retirement is to gradually build a nest egg of savings. If planned carefully and started far enough in advance, there is simply no substitute for this method in ensuring a comfortable retirement.

Social Security was never designed to be the sole source of retirement income. It was designed to serve as a supplement. For people in my generation and younger, this will not simply be the design of Social Security, it will be its reality.

Calculating how much we need to save for retirement can be tricky. And with wages stagnant across many industries, finding the financial latitude to start putting away that money can be even trickier.

As growth has slowed and millions have been left to languish in a failing job market, saving has started to look like a luxury rather than a standard practice. In fact, 36% of Americans have less than \$1,000 saved up for retirement – many of them with nothing saved at all. This problem is especially prevalent among African-Americans and Hispanics.

Even those who have maintained steady employment often don't make enough to allow for savings. One study last year found that 76% of Americans are living paycheck-to-paycheck.

Making matters worse, the nature of work in America is rapidly changing, yet our retirement programs and savings plans have failed to adjust accordingly.

Throughout much of the last century, you could leave school and go to work at a local company or factory, stay there for the next 50 years, and then retire with a pension. Our retirement programs were originally built with this reality in mind.

But times have changed. Today there are 75 million Americans working for employers that do not offer a retirement plan. And those who do have access to an employer plan probably won't for their full career.

This is because the average worker today stays at each job for only about 4 and a half years. And that's only the average worker ... 91% of the Millennial generation say they only expect to stick around each job for two or three years. This means they could have 15 to 20 different jobs over the course of a career.

Many Americans figure the unpredictability of modern careers has made employer sponsored plans a thing of the past. Even when these plans are offered, many employees are not made aware or choose not to go through the trouble of enrolling.

Given this, it's no surprise that 80 percent of people ages 30-54 believe they won't have enough in the bank when it comes time to retire.

But ironically – and I believe unfairly – there is one group who does not have to worry about this problem.

Members of Congress and other federal employees have a retirement savings and investment plan called the Thrift Savings Plan, or "TSP." The TSP, which is similar to a traditional employer-sponsored 401K, allows federal employees to save pre-tax money for retirement. And it is one of the most efficient savings plans in America. It charges fees which are a fraction of those in most private defined-contribution plans, allowing beneficiaries to save more.

So the twisted irony is that members of Congress – who are employees of the citizens of the United States – have access to a superior savings plan, while many of their employers – the American people – are often left with access to no plan at all.

That is why I propose we give Americans who do not have access to an employer sponsored plan the option of enrolling in the federal Thrift Savings Plan. Opening Congress' retirement plan to the American people will allow us to bring the prospect of a secure, comfortable and independent retirement into reach of millions of people.

After dealing with the savings crisis, we need to ensure that older workers have the ability to work as long as they need or want without being punished for it.

As the tax code is currently written, those who keep working past retirement age continue to pay Social Security taxes while receiving almost no extra benefits in return. This encourages some seniors to quit the workforce before they would otherwise.

In order to remove this disincentive to work, we should eliminate the 12.4% Social Security payroll tax for all individuals who have reached retirement age. These seniors have already paid their fair share, and we shouldn't punish them for choosing to keep working rather than immediately cashing in.

Eliminating this tax will also help seniors accelerate their savings by letting them keep more of their money. And it could also make older workers more attractive to employers, since the employer's half of workers' payroll taxes would also be eliminated.

Eliminating the Social Security payroll tax for seniors will likely result in older Americans choosing to work longer, which in turn will lead to an increase in federal income tax revenue. And seniors who choose to keep working will improve their personal retirement security and decrease their dependency on federal assistance programs.

This payroll tax on older employees isn't the only way we discourage seniors from voluntarily continuing to work. Those who choose to claim their benefits early while they keep working are subject to what's called the Retirement Earnings Test. Under this test, benefits are reduced approximately 50 cents for every dollar a person between the ages of 62 to 65 earns in excess of \$15,000 a year.

This essentially equates to a 50% tax on benefits on top of all other taxes being paid, such as the payroll tax I just discussed. The result is that Americans often work right up until the age of 62, and then enter retirement before they start incurring this penalty.

Here is what is even more puzzling about this policy: it doesn't save any money. Because when a senior hit by this tax finally reaches 65, their benefits are hiked way up to make up for any loss caused by the Retirement Earnings Test.

In the end, the benefits end up being mostly the same over the course of a retirement with or without the Retirement Earnings Test. But most people aren't aware of this, so many leave the labor force when they turn 62 to avoid paying the 50% tax on their Social Security benefits.

We should eliminate this test altogether. One economist estimates that abolishing the Retirement Earnings Test would raise employment among early retirees by 5.3%, a significant increase for a reform that has no long-term budgetary cost.

I have heard some suggest that with unemployment

so high and jobs so scarce, we shouldn't be pumping the labor force with more workers. They reason that if seniors don't stop working we won't have enough jobs for younger workers. It's an interesting theory, but this is not how it works out in practice.

Studies show that an increase in older workers actually boosts the number of jobs for younger workers. For every percentage point that the employment rate for older workers rises, youth employment rises by 0.21 percentage points.

Taken together, these reforms will help more people save for retirement and allow more seniors to choose to work longer. This will foster a balanced retirement, and leave fewer Americans solely dependent on Social Security.

But while Social Security should not be our only source of retirement income, it must remain a significant supplement to our post-retirement income if we are to prevent a retirement crisis in America.

That is why our second reform goal for guaranteeing a secure retirement for 21st century seniors is to enact reforms that save Social Security for future generations.

The country has changed enormously since the passage of Social Security. Yet the basic benefit rules have failed to adjust accordingly.

Rather than pass reforms, many in Washington think the answer is to double-down on the current program and simply infuse more money into it. But failing to modernize Social Security will eventually lead to an outcome we can't buy our way out of.

My answer is to build this outdated system into something that's worthy of the 21st century, and that's designed to sustain all seniors and last for generations. This requires taking into account modern realities.

Take for instance the retirement age. Many now choose to work well past the age of retirement. If you have any doubts, I encourage you to come see the United State Senate at work!

People are working longer because people are living longer. If you turned 21 in 1940, your chances of living to retirement age were only about 55 to 60 percent. But if you turned 21 today, your chances of reaching retirement age are around 80%.

What this means in practical terms is that we now have a record number of Social Security beneficiaries. And these beneficiaries, on average, are living another five to ten years longer than Social Security's earliest recipients. But in the past 80 years, Congress has only increased the retirement age by two years, from 65 to 67. This simply won't be enough in the long run.

The answer is to gradually increase the retirement age for future retirees to account for the rise in life expectancy. And if we act soon, we can do this without changing the retirement age for people who are currently over the age of 55.

We also need to look at how we calculate initial benefits. Social Security needs to provide a stronger safety net for those at the bottom of the income scale. When my parents retired, they didn't have a nest egg of savings to rely upon. They leaned on Social Security to help them through – in fact, my mom still does. We need to make sure that seniors like my parents – who worked low wage jobs their whole lives – aren't consigned to poverty in old age.

On the other end, however, are retirees with very high-incomes. For wealthy retirees, their monthly Social Security benefit is a less significant portion of their monthly finances. The answer is to reduce the growth of benefits for these upper income seniors while making the program even stronger for lower income seniors. This isn't a cut, it's simply a reduction in how fast the benefit will increase for wealthier retirees.

Doing this will add years to Social Security's solvency. It is one of the best ways to save the program for high-income and low-income beneficiaries alike.

Our third and final goal is also the most difficult, and that is saving Medicare.

As I stated earlier, Medicare is deeply personal for me. When my father got sick, Medicare paid for his numerous hospital stays. And as he reached the end of his life, it allowed him comfort and dignity by paying for his hospice care. And like most 83 year-olds, my mother has several age-related ailments. Without the quality healthcare that Medicare pays for, I cannot imagine what life would be like for her.

So when talking about Medicare, two facts need to be made clear from the outset. One, the program is absolutely essential to maintaining a secure, healthy and comfortable retirement for seniors. And two, if we do nothing to reform it, Medicare hospital insurance will go bankrupt in about 12 years and cease to exist.

Again, this is not a scare tactic, it is simple math. In 2012, Medicare spending grew by 4.6 percent – to about \$580 billion. And between now and 2022, this growth rate is expected to accelerate to around 7.4 percent per year. By 2026, the Medicare trust fund will run dry.

There was once a time when talking about Medicare reform was a third rail of American politics. But as we get closer to impending doom, it seems more people are at least willing to discuss serious ideas about how to save Medicare. And any serious effort to save Medicare needs to first take a hard look at what recent reform efforts tell us about what works and what does not.

ObamaCare turned four last month. It raises the iconic question: Are you better off than you were four years ago? The answer is an unequivocal 'no.' Jobs have been lost. Hours have been cut. Employers have been forced to drop coverage. Premiums have skyrocketed. Millions have lost coverage they were happy with.

ObamaCare has even hurt Medicare recipients by cutting about \$156 billion out of Medicare Advantage. This cut was a grave miscalculation. Medicare Advantage is a shining success story that millions of seniors like my mom rely upon. In short, it allows you to receive coverage from a private provider using funding from Medicare.

This has encouraged providers to compete for

business by tacking on all sorts of value-added services for seniors. For example, one of the reasons my mom picked her current provider is because, in addition to good doctors, they pick her up and drive her to appointments.

This sort of competition in the marketplace invariably leads to two very good things: a decrease in prices and an increase in choices. Choice and competition are also at the heart of another Medicare success story: Medicare Part D. Through this market-based program, seniors have at least 28 different prescription drug coverage plans to choose from, and competition has worked as a powerful cost control mechanism.

This has made Part D a booming success by every conceivable measure. The CBO found that total program costs are on track to be 45 percent – or \$348 billion – less than initial 10-year projections. Average monthly premiums are expected to be \$31 in 2014, which is less than half of the \$64 originally predicted. Not only does it save money, seniors love it. 95 percent of seniors enrolled in Part D find it convenient to their needs.

So when it comes to a broad and comprehensive Medicare reform plan, let's learn from the mistakes of ObamaCare and the successes of programs such as Medicare Advantage and Medicare Part D. Let's dramatically expand health care choices for seniors, spur competition in the marketplace and extend the solvency of the Medicare trust fund – all while making sure traditional Medicare remains an option.

To do so, I propose we transition to a premium support system, which would give seniors a generous but fixed amount of money with which to purchase health insurance from either Medicare or a private provider. The choice would be theirs to make.

My friend Paul Ryan is a leader when it comes to Medicare reform. I supported a couple key proposals to fix the program that were detailed in his Roadmap during my campaign in 2010. Since then, he has teamed up with Senator Wyden to propose a bold bipartisan plan to institute the premium support model.

Under this plan, the government contribution would be fastened to either traditional Medicare or the average bid — whichever is cheapest. This way, if seniors choose plans that cost more than that benchmark, they would have to pay the difference. If they choose cheaper plans, they would get to keep the savings.

By driving competition between private plans and traditional fee-for-service Medicare, we could spur choice while controlling costs. It would also lead to innovations that are specifically focused around the needs of beneficiaries.

The increased efficiency brought about by free market competition will allow providers to offer the same health benefits as traditional Medicare but for less money. The CBO predicts that by 2030, Medicare spending under a premium support plan would be 14% less per person than under the current system.

Most importantly, this new system ensures that Medicare continues to extend an impartial hand to all seniors for generations to come.

As I mentioned earlier, I'll be turning 43 later this month. It seems like just a few days ago that I was graduating high school, or standing at the altar, or welcoming our first child home.

The older I get, the more I am reminded of how quickly things move, and how it's never too early to start planning ahead for the next phase of life.

As a citizen and a husband, this means saving for retirement. It means seeing what it'll take to be ready when the time comes.

But as a member of the United States Senate, I also share another responsibility: the responsibility to save the time-honored institutions that have long been at the service of the time-honored among us. That allowed my mother and father – and so many millions like them – to retire with dignity and live out the final years of their American Dream with comfort and peace of mind.

The responsibility to save these programs belongs to all who are elected to serve. Yet many seem to have forgotten that we are here to pass policy, not posture politically. They forget that issues such as these are the 'why' of politics, not merely optional dirty work.

Partisan politics in America has always been contentious. But throughout our history, on issues of generational importance, our leaders have agreed to put aside politics for the sake of our people.

If ever there was an issue worthy of this solidarity, preserving a secure retirement for 21st century seniors is that issue. And should we fail to address it, history will point its finger at all who stood aside or stood in the way.

Today, I have presented an agenda for addressing this crisis head on. I am eager to work with anyone – Republican or Democrat – who will work in good faith on these reforms.

Ultimately, I believe we will solve the retirement challenge before it is too late.

We will because rising to challenges is what we've always done. We will because we must for the sake of our children, and our children's children. And we will because, once we do, the American Dream will be brought within reach in this new century – and the greatest nation in history will continue to shine for many generations to come.

CHALLENGE FIVE:

Reforms To Promote Financial Security For Families



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Pro-growth, pro-family tax reform
- Repeal and replace ObamaCare
- Extend the childcare tax credit to parents pursuing their education

IDEA #27: PRO-GROWTH, PRO-FAMILY TAX REFORM

Rubio: "When I hear people telling the American people that the way to protect your job is to raise your bosses' taxes, I think that's counterproductive. ... Not only is it not true, that type of thought has never worked anywhere in the world."

- CHALLENGE: Perhaps no function of our government is more antiquated and dysfunctional than our tax system. The individual side of our current code taxes too much, taxes unfairly, and conspires with our outmoded welfare system to trap poor families in poverty, rather than facilitate their climb into the middle class. The business side has driven job creators away rather than attracted them to open or grow their business, and has put us at a dangerous competitive disadvantage with much of the rest of our globalized economy.
- SOLUTION: Rubio and Sen. Mike Lee: "[O]ur proposal would make it easier for Americans to find jobs and easier for businesses to create them. It would help restore upward mobility at the bottom of our economy and fair competition at the top. And it would restore equal opportunity to working parents, America's ultimate investor class."

■ Individual side

- Our reforms will seek to simplify the structure and lower rates. They will consolidate the various existing income tax brackets into two simple brackets 15% and 35% and eliminate or reform distortive deductions, especially those which disproportionately benefit the privileged few at everyone else's expense.
- Our plan would eliminate the marriage penalty, which imposes higher taxes on married couples than if they had filed individually.

- It would also eliminate the parent tax penalty by augmenting the current child tax credit of \$1,000 with an additional \$2,500 credit, applicable against both income taxes and payroll taxes that most burden lower- and middle-income families. The credit would not phase out, and would be refundable against income tax and employer and employee payroll tax liability.
- Our plan will retool the Earned Income Tax Credit in coordination with means-tested programs to create a welfare system that works better and removes poverty traps.

Business side

- We would cut the current 35% business tax rate to make it competitive in the global economy.
- We will also allow firms to deduct their expenses and capital investments while integrating all forms of business taxation into a consolidated, single layer tax.
- We will also propose that businesses only be taxed in the country where income is actually earned, rather than double-taxed when the money is brought back home. We are one of the only developed economies that does not already have such a system in place.
- These reforms would eliminate double-taxation on investment, and immediately enable growing small businesses and disruptive start-ups to compete on a more level playing field against entrenched incumbents, who for too long have profited from the cronyist giveaways our plan would eliminate.

THE PROPOSAL

Rubio and Lee: "A Pro-Family, Pro-Growth Tax Reform"
By Senators Marco Rubio and Mike Lee
The Wall Street Journal
September 23, 2014

Too many Americans believe the American dream is slipping away for them and their children. They see their cost of living rise while their paychecks remain stagnant. They see an economy that benefits stockbrokers but not stock clerks. They see the ladder of economic opportunity being pulled farther up and out of their reach.

This isn't the result of a mere cyclical downturn in the U.S. economy, but rather a fundamental transformation. In recent years, old industries have fallen, new ones have risen, the skills required for high-paying jobs have evolved, and the competition at all levels is increasingly global.

Despite these dramatic changes, the policies and practices of Washington remain stuck in the 20th century, leaving too many Americans unable to access the enormous potential of this new era.

If we hope to realize a new American Century, many institutions and government programs will need to be updated, reformed or replaced. Both of us have spent a large portion of the year proposing such reforms.

Perhaps no function of the U.S. government is more antiquated and dysfunctional than its tax system, so we are joining together to propose a federal tax-reform plan that will remove obstacles to investment, innovation, growth and opportunity.

The current tax code taxes too much, taxes unfairly, and conspires with our outmoded welfare system to trap poor families in poverty, rather than facilitate their climb into the middle class. Our reforms seek to simplify the structure and lower rates. How? By consolidating the many existing income tax brackets into two simple brackets—15% and 35%—and eliminating or reforming deductions, especially those that disproportionately benefit the privileged few at everyone else's expense.

In addition, our plan would eliminate the well-known marriage penalty, which imposes higher taxes on married couples than if they had filed individually. It would also take aim at another pernicious distortion—the parent tax penalty—that is more prevalent, if less understood, even by its victims.

Today, parents are, in effect, double charged for the federal senior entitlement programs. They of course pay payroll taxes, like everyone else. But unlike adults without children, they also shoulder the financial burden of raising the next generation of taxpayers, who will grow up to fund the Social Security and Medicare benefits of all future seniors.

This hidden, double burden on parents isn't offset anywhere else in the system, and so true conservative tax reform needs to account for it. Children aren't consumer goods—they are investments parents make in their futures, and in the future of America, and therefore deserve to be treated as such in our tax code.

Our proposal would account for this and level the playing field for working parents by augmenting the current child tax credit of \$1,000 with an additional \$2,500 credit, applicable against income taxes and payroll taxes—i.e., the taxes that most burden lower-and middle-income families. The credit would not phase out, and would be refundable against income tax and employer and employee payroll tax liability.

Some conservatives we respect wonder if such tax relief for families would do enough to promote growth. But it bears remembering that the end goal of economic policy isn't simply growth, but freedom—clearing the obstacles from each American's unique pursuit of happiness. Millions of Americans up and down the income scale choose to invest their personal economic freedom in children and not just in commerce—in human and social capital rather than just financial capital. We believe it is wrong to punish such a choice.

Our plan would also ensure that our tax code works together with the federal welfare system, so that low-income workers are able to climb into the middle class without having to overcome 80%-100% effective marginal tax rates. Often when a worker gets a modest pay raise, higher taxes and lost benefits conspire to leave the person with little extra money in their pocket. Ending this unfortunate reality will involve retooling the Earned Income Tax Credit in coordination with means-tested programs to create a welfare system that works better and removes poverty traps.

Our reforms would help spur growth where today's tax code obstructs it. On the business side, we would cut the current 35% corporate tax rate to make it competitive in the global economy. The exact rate will be determined as we continue to shape the legislation, but it must be low enough to end the problem of corporate inversions and the loss of American

jobs to other nations. We will also allow companies large and small to deduct their expenses and capital investments while integrating all forms of business taxation into a consolidated, single-layer tax.

These reforms would eliminate double-taxation on investment, and enable small businesses and startups to compete on a more level playing field against entrenched incumbents, who for too long have profited from the cronyist giveaways our plan would eliminate.

We will also propose that businesses only be taxed in the country where income is actually earned, rather than double-taxed when the money is brought back home. The way to reverse corporate inversions and bring capital in off the sidelines isn't to punish companies for obeying outmoded laws, but to change those laws to make America once again the best place in the world to pursue happiness and earn success.

In sum, our proposal would make it easier for Americans to find jobs and easier for businesses to create them. It would help restore upward mobility at the bottom of our economy and fair competition at the top. And it would restore equal opportunity to working parents, America's ultimate investor class.

If Republicans win the Senate this fall, passing pro-family, pro-growth tax reform should be a cornerstone of our agenda next year. The plan we have outlined won't only help revive the American dream, but also make it more attainable for more Americans than ever before.

Messrs. Lee and Rubio, both Republicans, are U.S. senators from Utah and Florida respectively.



REACTION TO THE LEE-RUBIO TAX PLAN...

AEI's James Pethokoukis: "Lee and Rubio offer smart, modern tax reform" (James Pethokoukis, "Lee and Rubio offer smart, modern tax reform," AEI, 9/24/2014)

- Pethokoukis: "Republicans Mike Lee and Marco Rubio have sketched out an ambitious tax reform plan to boost business spending and increase take-home pay for America's beleaguered middle-class families." (James Pethokoukis, "Lee and Rubio offer smart, modern tax reform," AEI, 9/24/2014)
- Pethokoukis: "The senators have fashioned a pro-growth, pro-family, pro-innovation plan rooted in economic and political reality that deserves serious consideration as a key element in any agenda for reenergizing the American economy." (James Pethokoukis, "Lee and Rubio offer smart, modern tax reform," AEI, 9/24/2014)
- Pethokoukis: "But developing a real-world tax reform plan one that boosts family incomes, makes American companies more competitive, invests in human and business capital, simplifies the code, increases GDP growth, and achieves revenue neutrality without unrealistic assumptions is tricky business. The Lee and Rubio plan at least as outlined already ticks a lot of those boxes." (James Pethokoukis, "Lee and Rubio offer smart, modern tax reform," AEI, 9/24/2014)

Yuval Levin: "[T]he general outline is a very progrowth reform of the business tax code alongside a version of the pro-growth and pro-family reform of the individual tax code ..." (Yuval Levin, Op-Ed, "The Next Conservative Tax Reform," NRO, 9/23/14)

- Levin: "In terms of both policy and politics, this combination of business and individual tax reforms would seem to have great promise." (Yuval Levin, Op-Ed, "The Next Conservative Tax Reform," NRO, 9/23/14)
- Levin: "[T]he approach they lay out seems like
 a plausible general outline for the next conservative tax reform." (Yuval Levin, Op-Ed, "The Next Conservative Tax Reform," NRO, 9/23/14)

Reihan Salam: "The good news is that a small number of elected conservatives, led by Utah Sen. Mike Lee and Florida Sen. Marco Rubio, have been pointing the ways towards a GOP worth supporting." (Reihan Salam, Op-Ed, "How Corporate Tax Reform Can Combat Crony Capitalism," NRO, 9/23/14)

- Salam: "[Senators] Lee and Rubio have outlined a new tax proposal that is a much bigger deal than it appears to be at first glance." (Reihan Salam, Op-Ed, "How Corporate Tax Reform Can Combat Crony Capitalism," NRO, 9/23/14)
- Salam: "[I]t is Lee and Rubio's approach to overhauling corporate taxes that deserves particularly close attention. ... If Lee and Rubio follow through on all of these steps, they will spark a revolution in the way business is done in America." (Reihan Salam, Op-Ed, "How Corporate Tax Reform Can Combat Crony Capitalism," NRO, 9/23/14)
- Salam: "In a few short months, these two lawmakers have gotten off to an excellent start. If congressional Republicans are to ever deserve the support of rank-and-file conservatives across the country, they should follow Lee and Rubio's lead." (Reihan Salam, Op-Ed, "How Corporate Tax Reform Can Combat Crony Capitalism," NRO, 9/23/14)

IDEA #28: REPEAL OBAMACARE AND REPLACE WITH FREE MARKET REFORMS

Rubio: "ObamaCare is a disaster, but the answer is not to simply return to the way things were before it. The answer is to repeal and replace ObamaCare with modern market-centered reforms. Reforms that would give the Broyles control over their healthcare decisions by giving them the power to buy the kind of health insurance they want, from any company they choose, at a price they can afford."

- CHALLENGE: Instead of fixing the flaws in the health-care system, ObamaCare doubled down on them. From the sliding-scale subsidies to the tangle of red tape, the law took power away from patients by either hiding the costs of their decisions or making those decisions for them. The bureaucrats in Washington may think they're objective third-parties, but far too often they focus on their own priorities instead of patients' needs. And as we've seen, the less control patients have, the worse results they get: higher costs, less access, and lost coverage.
- SOLUTION: Rubio and Congressman Paul Ryan: "Our solution is simple. Put the bureaucrats in the back seat, and put the patient in the driver's seat. If what ails our health-care system is an overreliance on mandates and regulation, then what we need is a healthy dose of choice and competition. Our plan would return power to patients in all walks of life: the working-aged, the uninsured, the poor, and the elderly. Our plan would help people get the care they need, so they can live longer, healthier lives."
 - Our plan would make it easier for small businesses to bargain with insurance companies.
 - We would expand the use of health savings accounts.

- We would encourage states to conduct claims reviews to reduce frivolous lawsuits.
- And we would allow people to buy plans across state lines.
- We would create a fair and equal tax benefit for everyone who buys insurance.
 - Starting in 2015, we would offer every person a tax credit averaging \$2,000 for a single plan (or \$5,800 for a family plan) to buy insurance. They could use the tax credit and buy insurance on their own. Or, if their job offered health insurance, they could continue to use the exclusion.
 - Starting that same year, we would cap the exclusion at \$9,140 for a single plan (and \$23,120 for a family plan) and slowly equalize the benefit over the next ten years until the exclusion matched the credit.
 - The tax credit would be advanceable—in other words, workers would get it at the start of the tax season, not the end. And it would be refundable, so everyone would get assistance no matter how much they owed in income taxes.
- We would provide a robust safety net for people with pre-existing conditions.
 - Specifically, our plan would give \$50 billion in grants to the 50 states over ten years to help them fund high-risk pools.
 - To qualify, a participating state would have to certify that its high-risk pool was actuarially sound. By repealing Obamacare's costly mandates, we would lower premiums for everyone.
 - For people who change plans, we would prevent insurance companies from charging them more because of their health record.

- We would help the most vulnerable by repairing Medicaid.
 - To put Medicaid on a more sustainable path, we would convert the program into a per capita block grant. The federal government would give each state a set amount of money, based on the number of eligible beneficiaries.
 - This set amount would grow over time.
 And in return, states would receive more flexibility to tailor aid to the unique needs of their population.
- Finally, we would help seniors enjoy a secure retirement by strengthening Medicare.
 - Under our plan, there would be no changes to those in or near retirement.
 - Our proposal would repeal the board of unelected bureaucrats that ObamaCare established to make decisions regarding Medicare recipients, along with all of Obamacare's tax hikes and red tape.
 - For those who enroll in or after 2024, Medicare would provide a premium-support payment to help them pay for the plan of their choice.
 - Seniors would get to choose from a range of options, including a traditional fee-forservice option.
 - A competitive-bidding system would determine the amount of support; there would also be more help for the poor and the sick—and less help for the wealthy. Both taxpayers and seniors would save money.

IDEA #29: EXTEND THE CHILD-CARE TAX CREDIT TO PARENTS PURSUING THEIR EDUCATION

- CHALLENGE: One of the highest costs facing parents today especially single mothers is the exorbitant price of daycare. For many parents, paying for it is like signing over a paycheck at the end of every month. While a childcare tax credit is currently available, it can only be accessed by full time working parents.
- SOLUTION: By opening up the childcare tax credit to parents pursuing an education, we can provide parents the opportunity to earn a degree that will lead to a higher paying job. Successfully acquiring a higher education is the single best way to help parents who are at or near the poverty line to overcome their circumstance and achieve a better life.

REACTION TO SENATOR RUBIO'S PROPOSALS FOR PROMOTING FINANCIAL SECURITIES FOR FAMILIES...

New York Times' Ross Douthat: "Reform conservatism in one speech, courtesy of @marcorubio: [link]" (Twitter, @DouthatNYT, 6/25/2014)

- Douthat: "Marco Rubio Raises the Bar"
 (Ross Douthat, "Marco Rubio Raises the Bar," New York Times, 6/26/2014)
- Douthat: "Naturally, it strikes me as a very impressive and encouraging speech."

 (Ross Douthat, "Marco Rubio Raises the Bar," New York Times, 6/26/2014)
- Douthat: "It's a speech rooted in conservative principle without being trapped by the conservative talking points..." (Ross Douthat, "Marco Rubio Raises the Bar," New York Times, 6/26/2014)

Forbes' Pascal-Emmanuel Gobry: "The 21st Century Conservative Agenda Is Here. Look Out." (Pascal-Emmanuel Gobry, "The 21st Century Conservative Agenda Is Here. Look Out.," Forbes, 6/27/2014)

• Gobry: "This speech by Marco Rubio, which embraces the reform conservative agenda, puts him at the intellectual fore-front of the GOP." (Pascal-Emmanuel Gobry, "The 21st Century Conservative Agenda Is Here. Look Out.," Forbes, 6/27/2014)

National Review's Reihan Salam: "... excellent speech..." (Reihan Salam, "Marco Rubio and the Real Beginning of 2016," National Review, 6/25/2014)

- Salam: "What I found most appealing about Rubio's address is that he... touched on the structural forces that are putting low- and mid-skill workers under pressure, and how competition and innovation can drive down the cost and improve the quality of public services." (Reihan Salam, "Marco Rubio and the Real Beginning of 2016," National Review, 6/25/2014)
- Salam: "Rubio gave the complexity of the challenges facing American workers their due, and he did it in an intelligent and accessible fashion." (Reihan Salam, "Marco Rubio and the Real Beginning of 2016," *National Review*, 6/25/2014)
- Salam: "This is the conversation we need to have. Marco Rubio has done an excellent job of getting it started. Let's see who has the guts to follow him." (Reihan Salam, "Marco Rubio and the Real Beginning of 2016," *National Review*, 6/25/2014)

THE SPEECH

"Finding Economic Security in an Insecure Time" YG Network – Hillsdale College's Kirby Center Washington, D.C. June 25, 2014

Both of my parents were born into difficult circumstances. My father lost his mother as a young boy and had to quit school so he could go to work. My mother was raised by a disabled father who struggled to provide for his seven daughters.

When they were young, they had dreams for their future. My father wanted to be a successful businessman. My mother wanted to be a famous movie star. But like most people who have ever lived, they were born into societies where the dreams of people like them didn't stand a chance.

They felt trapped in their circumstances, frustrated by the inability to improve their lives. And so they came to the one place on earth where how you start out in life does not determine how you end up: the United States of America.

They never became wealthy here either; they worked service jobs at hourly wages. They never had a maid at their house; my mother was one for a living. And they didn't have fancy cars; my father drove the same '73 Chevy Impala for 20 straight years. Yet I consider my background to be one of great privilege.

I was privileged to be raised in a stable family. Privileged that my parents had jobs that allowed them to provide for their children. And I was privileged to be born in a land of equal opportunity, the one place on earth where the son of a bartender and maid could achieve the same things as a son of a president or a millionaire.

I come from privilege because – while the hope of a better life is a universal one – it is also one few people ever get the chance to achieve. We are blessed to live in a country on whose cornerstone is etched the principle that all people have a God given right to go as far as their talent and effort will take them. And because here, so many people have been able to

achieve the universal dream of a better life, this dream has come to bear our name: The American Dream.

For most, this Dream has never been about becoming rich or famous. It is about having a good job that pays enough to own a home, feed your family, and save for retirement; the flexibility to work and spend time with your family; the freedom to worship as you please and live without fear for your family's safety; and ultimately, it's about giving your children the opportunity to have a life better than your own.

The American Dream holds us together as one people. It defines us as a special nation. We can overcome bad presidents, tough economies and divisive issues. But if we lose the American Dream, we will lose our identity. There cannot be an America without the American Dream. That is why the greatest crisis before us today is that millions of our people feel that this Dream is slipping away.

The American Dream is still attainable. But it has gotten increasingly difficult to achieve for far too many. Wages have stagnated; everyday costs have risen; industries that once flourished have dried up, their jobs shipped overseas or lost to automation; and millions go to sleep each night overcome with the sense that they are one bad break from financial ruin.

Over the last six years, this insecurity has coiled itself around people from all walks of life. But it has been particularly difficult for three sets of Americans.

First, our more than ten million single mothers. Many have been abandoned by the father of their children, left to face the struggles of

parenthood alone. Many are stuck in jobs with low wages and inflexible work hours. At every turn they feel like the deck is stacked against them.

Their everyday costs rise while their paychecks remain stagnant. They lose jobs because after school care closes in the early evening and they can't work late. They feel guilty that they can't afford and don't have the time to sign their children up for soccer or dance like other kids. And they feel helpless to get their children out of failing schools.

We also see the erosion of the American Dream in the lives of many young Americans, including recent college graduates. Their generation is coming of age in an era of lowered expectations, where too often their caps and gowns come not just with hope and excitement but also with dread and apprehension.

Many did everything they were told was necessary to succeed. But now they sit in their childhood bedrooms under the weight of thousands in student loan debt, unable to start a career or a family.

Finally, we see the rising struggles of our working class families. Parents who work longer and harder than ever, yet fall further and further behind. Workers who search in vain for the good jobs that once supported their families. And small business owners on the verge of losing what they fought their entire lives to create.

For millions of single parents, young Americans, and working families, the promise that hard work and perseverance would lead to a better life has gone unfulfilled. As a result, too many are starting to believe the American Dream is no longer possible for people like them.

The erosion of this Dream is not simply the result of a Great Recession. It is primarily the result of a rapid and disruptive transformation of our economy driven by automation and globalization.

There was once a time when we were one of the few developed economies in the world. But now there are dozens of developed economies that have lowered taxes and cut regulations in an effort to attract job-creating investments away from us.

There was once a time when people like my parents, with limited formal education, could still find jobs that paid enough to make it to the middle class. But now because of advances in technology, virtually all good jobs require a level of education beyond high school.

But instead of adjusting to the realities of this new era, many of our institutions are failing us – and none more so than our federal government.

Instead of attracting jobs to our shores through simplifying taxes and regulations, it imposes higher taxes and more regulations that push investment and innovation to other countries.

Instead of anti-poverty programs that promote work and education so our people can emerge from poverty, we pump more money into programs that have failed us for a half century.

Instead of taking steps to make higher education more available and more affordable, we pour resources into a system that is expensive, inaccessible and is graduating too many people with unemployable degrees.

And instead of modernizing our retirement programs to make them accessible to everyone, we put more money into unsustainable programs that were designed in the 1930s.

The result is that a growing number of people feel completely alienated from our government and its leaders. They feel as if no one here in Washington understands what they are facing and no one here has answers to their challenges.

So it should be no surprise that disapproval of our government and pessimism about the direction of our country have reached an all-time high. Because the inability of our leaders to respond to the challenges and the opportunities of the 21st century is denying a growing number of people access to the American Dream.

President Obama deserves credit for hosting a summit earlier this week focused on helping working families. But the ideas he offered are more symbolic than they are substantive. They do not go far enough. Up to this point, his plan to restore the American Dream has been an old and familiar one: raise taxes, create more regulations, pour more money into government programs, and accuse anyone who doesn't agree with him of not caring.

The globalization and technological advances that are changing our economy produce disruptive challenges. But they also present exciting opportunities: the opportunity to innovate faster and in more areas than ever before, the opportunity to sell the products we make and the services we provide to more people in more places than ever before.

This new century can also be an American Century, with the American Dream within reach of more people than ever before. But our current path – the path of the old and tired ideas of big government – this path will never lead us to that better future.

To restore the American Dream, we need a new policy agenda designed specifically for the 21st century. A limited government and free enterprise movement that applies the principles of our founding to the challenges and opportunities facing Americans in their daily lives.

Americans like Kristeen, a young single mother of two preschool-aged girls.

Kristeen lives in Florida and is the primary provider for her two daughters. She works at a pet boarding facility making \$370 a week after taxes. Daycare for the girls costs \$235 a week, which she says is about like signing over a paycheck every month.

She knows the key to a better job is acquiring new skills, so she started taking online courses in early childhood education. She hoped this would lead to a higher salary and more time with her daughters. But like millions of other Americans, our outdated higher education system left Kristeen unable to finish.

The online classes she had been taking cost her around \$1200 per course. Even if she had received a scholarship or a Pell grant, she still felt like the time and resources required were too much given her responsibilities at home. So she dropped out.

She dedicated herself to earning more money any way she could. She sells nutrition supplements at a local farmers market on weekends. She makes costume accessories for girls' birthday parties and sells them online.

She got rid of everything that wasn't essential: cable, even her cell phone. She was determined to live independently. But nothing she tried was enough. No matter how hard she worked, her earnings were simply too little; her costs too great.

And so today, Kristeen – along with 42 million other women in America – finds herself on the edge of poverty and slipping over.

The solutions President Obama and his party offer single mothers have not worked. Their idea of helping is to spend more money on programs that do nothing to help Kristeen escape poverty.

Their idea of helping her get an education is a gimmick designed to win elections rather than reforms designed to bring higher education within her reach.

The result is that Americans like Kristeen are left feeling pessimistic about the future of our country. They are frustrated that no one in Washington seems to understand the challenges facing them. Worst of all, they hold little hope that their lives will improve. To restore the American Dream, we have to change that.

First, we need modern reforms to our anti-poverty programs. Reforms that would incentivize and reward the work Kristeen does now and help her acquire the skills she needs for a better job.

These innovations will never come from the federal government's rigid one-size-fits-all approach. So I have proposed combining our existing federal anti-poverty money into a Flex Fund that would be made available to the states, which have the ability to design innovative and targeted programs to address the unique needs of their residents.

Liberals offer up increases in taxes and the minimum wage as ways of helping the struggling earn more. But these policies would result in many people like Kristeen losing their jobs. As an alternative, I have proposed replacing the flawed earned income tax credit with a wage enhancement credit that would boost her wage at the pet kennel.

We also need to bring an education within Kristeen's reach. The big government solution for the cost of higher education is to slightly lower the monthly payment on existing student loans. Instead of short term gimmicks like this, a better approach would be to implement the reforms I proposed earlier this year that lower costs and encourage the creation of more affordable and accessible routes to a degree.

The online courses Kristeen was taking are actually more expensive than the cost of physically attending her local community college. Even if she received financial help, she couldn't find an option that allowed her enough flexibility to work full-time and raise her family.

The reason for this is an outdated process called accreditation. A school must be accredited to award degrees and provide financial aid, but here's the catch: established institutions control the accrediting process. As a result, the entrenched higher education cartel has the power to block out innovative, lower-cost competitors.

So I have proposed that Congress establish a new, independent accrediting process designed to open the door for more innovative and affordable schools. And I proposed ways to help Kristeen package the free tools all around her into an employable degree – tools such as online resources, apprenticeships, mentorships and personal study.

Unlike most traditional students, Kristeen also needs affordable daycare for her daughters. Even with government help, her out-of-pocket costs run into the hundreds every month. And if she decided to pursue her education full-time, she would lose her current childcare credit. So I propose allowing parents who are pursuing their education full-time to remain eligible for the childcare credit.

Daycare is far from the only burdensome expense Kristeen faces. From rent to her electric bill to car insurance, gas, and food, the cost of living is rising around her like floodwater. That's why Senator Mike Lee and I have worked together to design pro-family tax reforms.

As part of our upcoming proposal, the per-child tax credit she currently receives would be raised from \$1,000 to \$2,500 so she can keep more of her own money. And it would be made refundable up to the total payroll and income tax liabilities, meaning whatever isn't saved through her reduction of tax liability would be received in the form of a check.

Finally, given the dreams she has for her children, Kristeen is worried about the fact that her daughters will soon be forced to attend public schools that do not meet her standards for their educations.

Too many poor parents are denied the opportunity to send their children to the school of their choice. They can't afford to move to a neighborhood with better schools and can't afford private school tuition. That is why I've proposed a federal tax credit that encourages contributions to scholarship granting organizations that distribute private school scholarships to needy children.

We cannot preserve our standing as an exceptional nation if the American Dream isn't possible for people like Kristeen. And if we do not put in place modern conservative reforms that will help her earn more, keep more of what she earns, go back to school, and send her girls to the best school possible, Kristeen and millions of Americans like her are going to be left behind.

But the single most important thing we can do to help her and every American is to unleash the prosperity that comes from a growing free enterprise economy. No group of Americans would benefit from robust economic growth more than young Americans like Jennifer and Evan.

Jennifer and Evan both live in my hometown of Miami. They've never met one another, yet they share a similar and increasingly common story. Jennifer graduated four years ago from Florida International University with a degree in public administration. She was the first in her family to go to college. Growing up, her father always told her that an education was her ticket to a life better than his own.

But four years after earning her degree, she and her father fell on tough times. Her father was laid off, and the only job Jennifer could find was unrelated to her degree. It barely paid enough to get by, much less help out her father like she wished she could. So they both had to move in with Jennifer's grandmother.

Meanwhile, Evan graduated last year from Liberty University with a degree in sports management and a mountain of student loan debt. He moved back home to Florida to begin the full-time job of looking for a full-time job. He is still looking today.

He was recently able to find two part-time jobs. One is at a retail store. The other allows him a glimpse of the industry he dreams of breaking into: he helps out as a game day assistant for the Miami Heat.

Between his two jobs, Evan brings home about \$500 a month. This was barely enough to scrape by to begin with. But he recently received a letter ... starting next week, on the first of July, he will have to start paying his nearly \$20,000 in student loan debt. His finances were already teetering on the brink, and this will likely push them over.

Neither Jennifer nor Evan has lost hope. But far too many young Americans like them are starting to accept their current struggles as the new normal. They worry that a growing, job-producing economy is a thing of the past.

Just this morning, we received more evidence that our economy is headed in the wrong direction. During the first three months of this year, not only did our economy not grow, it shrank by 2.9%. The biggest drop in five years.

It doesn't have to be this way. If we can put in place policies that will spur dynamic economic growth and make higher education more affordable, we can restore the American Dream for millions of young Americans.

In order to achieve the economic growth that leads to millions of better paying jobs, we need policies that incentivize investment and innovation. I have proposed tax reforms that make America a more attractive place to invest and regulatory reforms that help this remain the best place in the world to innovate. This will create millions of jobs for our graduates.

But creating jobs alone is not enough. Young Americans need to be able to acquire skills without also acquiring a lifetime of student loan debt. For example, Jennifer knows that getting a master's degree will help her get the kind of job she desires, but she doesn't want to go \$50,000 in debt to get it.

As I mentioned before, the first step to making college more affordable is allowing more innovation and competition in higher education. But we also need to think of easier ways to pay for – and plan for – the costs of a degree.

For Evan, his loans are the primary obstacle preventing him from pursuing his dreams. Going into college, he knew the cost. What he didn't know was how hard it would be to find a job with his degree. That is why I have filed a bill with Senator Ron Wyden that would require schools to tell prospective students how much their graduates earn with a given degree.

Second, I have proposed making income-based repayment the automatic repayment method for student loans. This way, Evan's loan payments would directly correlate to how much he earns each month, removing the risk of default.

And third, I have proposed an alternative to student loans called Student Investment Plans. Students would be able to enter into an agreement with a private firm in which the firm pays for the student's education in return for a percentage of their salary for a set number of years after graduation.

Modern reforms that lead to economic growth and increased education options would benefit all Americans. They would benefit single mothers like Kristeen and young people like Jennifer and Evan. But they would also help working families like the Broyles.

Daniel and Becky Broyles operate a small business called Foreign Accents, which sells home furnishings from all over the world. They are the only two employees, not including summer and weekend help from their three sons, aged 13, 16 and 19.

The Broyles started their business 17 years ago. It's always been small, but it's always provided enough to get by. That is... until the recession hit in 2007.

The impact on their business was nearly devastating. To survive, they began racking up expenses on multiple credit cards. They knew it was a desperate move, but they had no choice. And sure enough, it backfired. After a few late payments, the banks hiked their interest rates. And the debt on their shoulders began to compound.

At this point – like every time of trial in their lives – Daniel and Becky leaned on their faith to get through. With three boys who depended on them, they prayed that God would reveal the right way forward.

Together, they discussed their options. One of them could go back to school and try to get another job. But the job market made this a risky gamble when weighed against the costs of an education. As Daniel said, it never felt like the right answer.

Then, just when their situation seemed to hit rock bottom, a couple of contracts began to trickle in. A few customers returned to the shop. Business wasn't what it was before, but it was enough to break even and stop the debt from rising. They decided to dig in and try to see the business through.

But as things were starting to look up, they were hit with another problem – this one directly from Washington DC. It's called ObamaCare.

Daniel described what happened to his premiums. Around the time the recession hit, his family paid \$440 a month. But year after year, as the ObamaCare debate raged on and eventually the law was signed, the premium gradually edged up. This was a burden, but it was nothing compared to what came when the law went into effect: his monthly premium shot up from \$520 to \$660. And worse, his deductible doubled, from \$2,500 to \$5,000.

They couldn't afford it, so they dropped their coverage. They turned to a faith-based program called Medishare, which allows members to spread out the burden of costs and coverage.

Today, the Broyles are getting by. Their oldest son helps out with the business while working toward his online education. Their youngest two look forward to one day getting their degrees as well. Despite their struggles, they find fulfillment and purpose in the business they've worked the better part of 20 years to build.

But they are uncertain about the future. They do not have much money put away for retirement. In fact, Daniel jokes that he was thinking about running for Congress because he heard our benefits were great.

Our outdated laws, taxes and education system, and the growing burden of ObamaCare are making life harder than it needs to be for working families like the Broyles. In order to restore the American Dream, we need to change that.

My growth agenda will help them by elevating the entire economy. As they have found throughout their 17 years in business, when the economy is growing and thriving, more customers come by their shop.

Pro-growth tax reform will allow them to fully expense every investment they make in their company, making it easier for them to expand, earn more, and maybe even create a job or two.

Pro-family tax reform will help them with the cost of living. For their two younger sons, the Broyles receive a child tax credit of \$1,000. But just like with Kristeen, the reforms I'm working on with

Mike Lee would raise this to as much as \$2,500 and would make it refundable.

Pro-education tax reform would help them with the cost of higher education for their kids. Joined by Representative Schock, I have proposed that we update and consolidate higher education tax incentives into one simple, easy-to-understand tax credit that applies universally to higher education and skills obtainment.

And market-centered healthcare reform will help them grow their business and receive quality care at an affordable price. ObamaCare is a disaster, but the answer is not to simply return to the way things were before it.

The answer is to repeal and replace ObamaCare with modern market-centered reforms. Reforms that would give the Broyles control over their healthcare decisions by giving them the power to buy the kind of health insurance they want, from any company they choose, at a price they can afford.

And finally, we need to bring the prospect of a dignified and secure retirement within the Broyles' reach. Retirement in the 21st century will look different than it has in the past. People will work longer, not only because they have to but also because, like the Broyles, they enjoy it. But the three pillars of our current American retirement system – Social Security, pensions, and personal savings – are crumbling.

The answer is to implement modern solutions that save Social Security and Medicare without making any changes for people currently in the system. Solutions like gradually raising the retirement age for younger workers like myself.

We must make it easier and more profitable for those who choose to work beyond retirement age by removing the retirement earnings test and eliminating the payroll tax on older workers.

And we must make saving easier for the 75 million Americans who don't have 401Ks through their employers. Last month I proposed opening the federal government's Thrift Savings Plan – which is like a 401K only with lower costs and generally better returns – to all Americans who lack access to an employer plan.

So Daniel and Becky can have Congress' retirement plan after all. No Congressional campaign necessary.

Growing up, I knew this country was special. Because from my earliest days, my parents taught me that no dream was too big and no goal was out of reach for me – because I was an American Son.

Each person I've introduced you to today also believes America is special. But they are starting to wonder if that is still true for people like them. And they increasingly doubt it will be true for their own children.

Their American Dreams are not much different than my parents'. Kristeen wants to raise her daughters to be strong and self-sufficient. Jennifer wants to find a fulfilling job. Evan wants to pay off his loans and reach financial security by the time he's ready to start a family. And the Broyles just want to run their business, send their children to college and retire securely.

And ultimately, what each of them wants is what everyone wants: the chance to build a better life for themselves, and the chance at an even better life for their children.

This is the Dream that defines our nation. The Dream that binds us together as one people. The Dream that we are now called upon to restore.

Today, people like Kristeen, Jennifer, Evan and the Broyles family have serious doubts about whether our current leaders are up to that task. They feel as if neither party understands, cares or has answers for the problems they face.

For those of us who serve or aspire to serve in public office, our goal must be to offer real hope for our future and real change for our nation — the hope of ushering in the most prosperous and

promising era in our history, and the change it will require to achieve it.

We Americans have good reason to be hopeful, for no nation is better positioned to access the full promise of the 21st century economy. The new economy is all about innovation, creativity and productivity – and we are the most innovative, creative and productive people on the planet.

And the changes we must make to achieve this better future come from fundamental truths about our nation: that government exists to empower its people, and that our free enterprise economy is the greatest generator of opportunity and prosperity in human history.

From these principles we see that if we reform our taxes and regulations, we can create millions of higher paying jobs by winning the global competition for talent, investment, and innovation.

And if we modernize our outdated safety net programs and revolutionize how we acquire and pay for education, millions of people will have the skills they need for the higher paying jobs of the new economy.

20th century America was special. But 21st century America has the potential to be even better.

This better tomorrow will not happen on its own. For two centuries, this nation has endured as an exceptional one because each generation before us has risen to meet the challenges and seize the opportunities of their time. Now it is our turn.

We will either adapt to a new era and bring about another American Century or – like so many nations before us – our inability to address new realities will usher in our decline.

Our success will not be measured simply by the size of our economy or the performance of our stocks. Rather, it will depend on whether Americans like Kristeen, Jennifer, Evan and the Broyles family will get the real chance to earn for themselves a better life; on whether the American Dream becomes possible for them the way it has been for so many before.

This is the standard by which we will be judged. And it should be, for being the land of equal opportunity is what sets us apart from all the nations on the earth. The great cause of our time is to reclaim the American Dream for more of our people than ever before. And in doing so leave for our children what our parents left for us: the single greatest nation the world has ever known.

CHALLENGE SIX:

Strong Values For A Strong America



REACTION TO SENATOR RUBIO'S VIEW ON VALUES IN AMERICA...

Christian Broadcasting Network's David Brody: "Marco Rubio was bold enough to speak up on traditional marriage in a day and age when doing so can be hazardous to your political health. His speech today at Catholic University, where he talked about traditional values being the fabric of American society was eloquent and strong. It had the right mix of compassion, individual liberty, patriotism and limited government assistance. It put on display why he's one of the best communicators in the Republican Party and why he would be formidable in a 2016 presidential election race" (David Brody,

"Marco Rubio stands up for Traditional Marriage: Calls Gay Americans Out for their Hypocrisy," Christian Broadcasting Network, 7/23/2014)

Southern Baptist Convention's Ethics and Religious Liberty Commission's Russell Moore: "I thought it was a combination of courage and of civility. He not only took strong stands ... he did it, strikingly, in a tone indicating he did not simply want to score points, he wanted to speak to people who disagreed with him." (Napp Nazworth, "Russell Moore on Rubio's Tolerance Remarks: I Wanted to Say 'Amen' Very Loudly," *Christian Post*, 7/24/2014)

Concerned Women for America's Penny Nance: "I very much liked his tone. He took a unifying stance that talked about the importance of marriage in America and really the ill effects on society when strong families aren't formed." (Napp Nazworth, "

Penny Nance: Rubio's Unifying Speech Contrasted Sharply With Obama's Divisiveness," Christian Post, 7/24/2014)

THE SPEECH

"Strong Values for a Strong America"
The Catholic University of America
Washington, D.C.
July 23, 2014

The modern world tells us that success is measured by how much money we make, how much we own, or how famous we become. Judged by this standard, my background is certainly not one of privilege. My parents immigrated here almost six decades ago with little money or formal education. They worked service sector jobs and had no connections to power or influence. Yet I consider myself to be a child of privilege.

I was raised by two parents who were married to each other, who instilled in their children the expectation that we would get our educations, find fulfilling careers, and one day get married and start families of our own. So while we weren't rich or well connected, my background gave me an enormous advantage in life – because I was taught certain values that led me to live my life in a sequence that has a proven record of success.

In America, if you get an education, find a good job, and wait until marriage to have children, your chances of achieving economic security and professional fulfillment are incredibly high. In fact, if everyone in America lived lives that went in this order, the poverty rate could be cut by an estimated 70%.

But now, each element of this "success sequence" is eroding in our country. Many Americans lack the education needed for the better jobs of the 21st century. Many either can't find a good job, or have given up looking for one. Marriage rates are on a steep decline. And a higher proportion of children are raised in single parent homes in America than in the vast majority of developed nations.

The economic price of this erosion in the success sequence is staggering. The unemployment rate is almost twice as high for those with only high school diplomas as it is for those with bachelor's degrees, and almost three times as high for high school dropouts. Over 20% of children raised without

both parents live in poverty long-term, compared with just 2% of those raised in intact families. And only around 40% of children growing up in single parent homes will ever make it to the middle class or beyond.

Too often in modern politics, debates about our values have been viewed as either wedges to win elections or unnecessary distractions to be avoided. But the truth is that the social and moral wellbeing of our people has a direct impact on their economic wellbeing.

And so I am grateful for this opportunity today to discuss how we can help restore the American Dream by restoring the values that make it possible.

No one is born with the values crucial to the success sequence. They have to be taught to us and they have to be reinforced. Strong families are the primary and most effective teachers of these values. As the social philosopher Michael Novak once said, the family is the original and best department of health, education and welfare. It is crucial in developing the character of the young. And those efforts can be reinforced in our schools, religious institutions, civic groups and our society.

This is why reinvigorating the values behind the success sequence begins by reinvigorating the institutions that teach and reinforce these values. It is through our roles as parents, neighbors, volunteers and members of faith communities that we can have the greatest influence on the social and moral well being of our people.

Societal breakdown is not a problem the government alone can solve, but it is also not one the government can afford to ignore. We need leaders willing to use the platform of public office to call attention to the impact societal breakdown is having on our nation.

We need leaders, in both parties, willing to acknowledge that one of the principal reasons so many people are struggling is because too many aren't getting an education, aren't working, aren't getting married and are having children outside of marriage.

But we also need leaders, in both parties, willing to acknowledge that many single parents and the children they raise are not going to have an equal opportunity to achieve a better life, unless we do something to help them.

Having more political leaders publicly recognize the link between our social wellbeing and our economic wellbeing would be enormously useful. And government reforms that promote or remove impediments to education, work, marriage and two parent homes would help change the direction of our country.

In the 21st century, a good education is not just an option, it is a necessity. And no group in America faces more impediments to a good education than children being raised by single parents, most of whom are doing a heroic job in raising their kids.

If they were wealthy, they would not have this problem. They would simply pay to send their children to better schools. But lower income parents cannot afford that. They don't have the financial means to send their kids to private and religious schools. So the government gives them no option other than to send their children to failing schools – even if just down the street are schools with higher test scores or a better graduation rate.

Low income children are the least likely to get a good education because they are the only ones forced to attend schools not of their parents' choice. In order to give them a chance at the first element of the success sequence, we need our government to give their parents the opportunity to choose the education that's right for them.

So I've proposed a tax credit that encourages contributions to scholarship granting organizations, which would distribute private school scholarships to children in need. I've also advocated for more funding and more flexibility for our nation's innovative charter schools.

Finding a job is the second part of the success sequence.

Helping people find work begins with an economy that creates good paying jobs. To create this growth-oriented economy, I introduced an agenda this year to enact progrowth and pro-innovation policies, harness the power of emerging industries, and open our businesses to hundreds of millions of new customers around the world.

But helping our people find good jobs will also require reinvigorating the value of work. To do so, we must reform the way we fight poverty. Our current anti-poverty programs are incomplete. They help alleviate the pain of poverty, but they do not do enough to cure it.

The best cure for poverty is a good paying job. That is why our anti-poverty programs must be reformed to incentivize work and bolster training and education.

The innovations we need to achieve these reforms will never come from the federal government, which has tried and failed for 50 years to significantly curb poverty. Only states and local communities have been able to craft and execute effective programs.

Earlier this year, I outlined my plan to transfer all federal anti-poverty spending to the states so they could design more programs tailored to the unique, localized causes of opportunity inequality – programs that will not just alleviate the pain of poverty, but also help cure it.

And finally, helping people attain good paying jobs in the 21st century increasingly means having access to higher education. One of the primary reasons single mothers and their children struggle is that our current higher education system lacks the access points and the variety of options that people like them need.

That is why I have proposed reforms to make higher education more affordable and more accessible, especially for those who have to work full time and raise a family. This includes a series of policies aimed at promoting career and vocational opportunities, some of which can begin as early as high school. So that soon after finishing high school, they have not just a high school diploma, but also a job-ready industry certification.

I proposed reforms that would increase access to more affordable higher education options, such as online programs, through changes to our accreditation system – because we know that higher education is no longer a luxury for a few, it is now a necessity for all.

After getting an education and finding a good job, the third element of the success sequence is marriage. Of course, you can achieve success without being married, but the link between marriage and economic security is undeniable. At a minimum, we should eliminate policies and programs that punish marriage.

Our current tax code penalizes marriage by hitting married couples with taxes that two otherwise identical singles would be spared from. This is why I support pro-family tax reforms that would end the marriage penalty by doubling the tax threshold for joint filers.

The final element of the success sequence is raising children in a married two parent home. Even in my own family, I have examples of children raised by one parent who have gone on to successful lives. But we also know that having an active father makes children 98% more likely to graduate from college and complete the first step of the success sequence.

Today a growing number of children are growing up without both parents. 50 years ago, the percentage of children born to unwed mothers was 7%. Today it is 40%.

In just the last hour, roughly 450 children were born in America – and 180 of them were to unwed mothers. Some will go on to achieve great success in life. But as things currently stand, these children are 82% more likely to be in poverty during childhood. They are 44% less likely to earn a college degree. And they would go on to earn

\$4,000 less per-year than the children born in married homes.

These are figures we cannot ignore. So in addition to doing all we can to encourage and strengthen two parent homes, we must also do all we can to help children born to unwed mothers. Because if we do not, most of them will simply not have the same opportunities to succeed as children born into two parent homes.

First, many single parents work in jobs that pay low wages. That is why I have proposed that we increase the per-child tax credit from \$1,000 to \$2,500 and make it refundable. And it's why I have proposed education reforms to help these single parents acquire the education they need for a better job, even as they work and raise a family.

Second, many single parents have jobs that come with little flexibility. As a result, their children often can't participate in sports or activities. And taking their children to a dental appointment during working hours could cost them money out of their paycheck or maybe even their job.

All parents – but especially those doing it alone – need flexibility during work hours. The federal government currently prohibits the choice of paid time off as a form of compensation for overtime hours. We should end this restriction and allow our parents to spend more time with their kids in return for overtime.

And third, many single parents are often overwhelmed by the financial cost of raising children all alone. We have roughly 8 million American fathers who live apart from their children. We should search for ways to help all fathers gain the financial independence necessary to financially support their children.

One reform I proposed this year was a wage enhancement credit that would bolster a low-wage earner's paycheck, thus encouraging work over dependence. We know that a working father is far more likely to support his children financially, which also makes him likelier to be an active and positive influence in their lives.

I know that given the current cultural debates in our country, many expect that a speech on values would necessarily touch upon same sex marriage and abortion. These are important issues that relate to deeply held beliefs and deeply divisive ideas.

We should acknowledge that our history is marred by discrimination against gays and lesbians. There was once a time when the federal government not only banned the hiring of gay employees, it required private contractors to identify and fire them. Some laws prohibited gays from being served in bars and restaurants. And many cities carried out law enforcement efforts targeting gay Americans.

Fortunately, we have come a long way since then. But many committed gay and lesbian couples feel humiliated by the law's failure to recognize their relationship as a marriage. And supporters of same sex marriage argue that laws banning same sex marriage are discriminatory.

I respect their arguments. And I would concede that they pose a legitimate question for lawmakers and society.

But there is another side to this debate. Thousands of years of human history have shown that the ideal setting for children to grow up is with a mother and a father committed to one another, living together, and sharing the responsibility of raising their children. And since traditional marriage has such an extraordinary record of success at raising children into strong and successful adults, states in our country have long elevated this institution in our laws.

That is the definition of marriage I personally support – not because I seek to discriminate against people who love someone of the same sex, but because I believe the union of one man and one woman is a special relationship that has proven to be of great benefit to our society, our nation and our people, and therefore deserves to be elevated in our laws.

Today, public opinion polls show there is a growing acceptance in society of the idea that marriage should be redefined to include the union of two adults of the same sex. As a result, a number of state legislatures have changed their laws to redefine marriage. States have always regulated marriage in America, and state legislatures have a constitutional right to change those regulations.

But that right to define and regulate marriage is a two-way street. A majority of states still have laws that define marriage as one man and one woman. In some, like my home state of Florida, voters placed that definition into our state constitution. Just as states have a right to redefine marriage to include same sex marriage, they also have right to continue to define it as between one man and one woman.

But now, all across this country, we have judges overturning state laws and defining marriage from the bench. Just last week, in my home state, a local judge overturned the decision of Florida's voters to define marriage as between one man and one woman.

Those who support same sex marriage have a right to lobby their state legislatures to change state laws. But Americans who support keeping the traditional definition of marriage also have a right to work to keep the traditional definition of marriage in our laws without seeing that overturned by a judge.

Our nation has demonstrated an incredible capacity to work through issues such as this. And I believe it will again. Doing so will require those of us who support traditional marriage to respect those who support same sex marriage. But it will also require those who support same sex marriage to respect those of us who support traditional marriage, for tolerance is also a two way street.

However, today, there is a growing intolerance on this issue... intolerance towards those who continue to support traditional marriage. We have seen the push to remove the CEO of Mozilla because, in 2008, he made a donation to support Proposition 8 in California, which would have upheld the traditional definition of marriage. We have seen the CEO of Starbucks tell a shareholder who supports traditional marriage that he should sell his shares and invest in some other company. And we've seen Chick-fil-A attacked and boycotted due to its CEO giving an honest answer to a question regarding his deeply held religious beliefs.

And I promise that even before this speech is over, I will be attacked as a hater, a bigot or anti-gay.

This intolerance in the name of tolerance is hypocrisy.

Supporting the definition of marriage as one man and one woman is not anti-gay, it is pro-traditional marriage. And if support for traditional marriage is bigotry, then Barack Obama was a bigot until just before the 2012 election.

Abortion involves an even more fundamental moral question. It is a difficult question because it involves two competing rights: a woman's right to make choices regarding her own body versus the right of an unborn human being to live.

The decision to abort or not to abort is one that is deeply personal and emotionally painful: a 14 year old girl who is pregnant and scared, a young single woman with her whole life ahead of her who simply doesn't feel ready to have a child. We should not pretend that if we or someone we love were facing this decision it would be an easy one.

Those who argue that it is a woman's right to make that choice point out that it's the woman who must carry the pregnancy. It is her alone who will face the risks of childbirth. And too often, it is her alone who will have to provide for and raise the child.

But there is another view that has to be considered too. For there is undeniably another person involved in this as well: an unborn child. This is not a statement of faith; it is a matter of medical science. And a human being has certain inalienable rights, primarily the right to live. And that is why this issue so deeply divides not just our politics, but also our families and our people.

In weighing these two arguments, I know where I stand: An unborn child should be welcomed into life and protected in law. It seems to me a decent, humane society will take tangible steps to help women with unwanted pregnancies even as they defend an unborn child's right to live.

We will continue to debate these issues – and I suspect continue to be divided by them – for years to come. But we are all impacted by the growing erosion of our faith in the American Dream.

For over two centuries now, ours has been a nation of optimists – an optimism driven by plenty of secure middle income jobs, an expanding middle class, intact two parent homes and strong churches and communities. But now, a majority of Americans worry that our nation is headed in the wrong direction. We are a people increasingly pessimistic about the future.

This crisis of confidence is driven not simply by a great recession, but by rapid changes in our society, our demographics and our economy.

Marriage and two-parent families are on the decline. One third of children in America now live apart from their fathers. And the fastest growing household types are people living alone and two or more adult generations living together.

We are getting older as a people, with 10,000 Americans turning 65 years old each day. Just 75 years ago, there were 42 working age Americans for every retiree. Today there are only 3 workers for every retiree. In less than 20 years, there will be only 2 workers for every retiree.

And globalization and technology have fundamentally transformed our economy. We face more competition than ever from other nations. Automation and outsourcing have taken away millions of stable jobs, and our economy is not producing enough new ones to replace them. And while almost all the good paying jobs of today require higher education, it has become costlier and harder to access.

America has faced rapid changes before. But we have never faced so many all at once. This perfect storm of simultaneous societal, demographic and economic change has left us pessimistic, insecure, uncertain and increasingly divided.

It is an insecurity that cannot be measured by the unemployment rate or the performance of the Dow Jones, but rather by our people's confidence in the idea that gave birth to our country: that everyone deserves the chance to go as far as their dreams, work and talent will take them.

It is an idea grounded not in a political concept but rather in a spiritual one: that every single person is born with certain inalienable rights that come from God.

The words 'One Nation Under God,' are not symbolic. They describe the purpose our founders saw for America. Virtually every other nation was created to provide a homeland for people of a certain faith, ethnicity or language. But America was founded as the place where people could have the liberty to enjoy fully the rights given to them by God.

This idea, that all people have certain rights given to them by their creator, has shaped our identity as a people and a country.

It is the reason that ours is the single most generous and caring nation on the planet. When the freedom of others has been under assault, it is America that has sent its sons and daughters to fight and die on foreign battlefields. When AIDS and HIV were sweeping through Africa, it was America that stepped in to provide lifesaving medicines. And when a typhoon hit the Philippines or an earthquake hit Haiti, it was our Navy that was first on the scene and our charities that continue to help those in need.

It is a legacy unrivaled by any other great power in human history.

But the belief that our rights come from God is also the reason why equality of opportunity so deeply defines us here at home. Because we don't just believe it is right for everyone to get a fair chance to get ahead, we believe it is everyone's God given right. America is indeed an exceptional nation. But it would be foolish to believe that all we have we owe solely to ourselves. For we are also a blessed people, blessed by a vast and fertile land protected by two oceans on either side, blessed with natural resources and natural beauty, and blessed with an innovative and creative people – a collection of go-getters who came here from all over the world and placed a man on the moon and the World Wide Web at our fingertips.

Through our compassion and commitment to equality of opportunity, we have been a light to the world. We have honored the blessings bestowed on us by God by adhering to the ancient admonition, "For everyone to whom much is given, from him much will be required." And God has continued to bless us in return.

Now we are called, as each generation before us was, to further this task.

Our current President has chosen to divide our people for the purpose of political gain. It is hard to believe that the state senator from Illinois who gave a stirring call to unity at the Democratic convention in 2004 is the same person who today never passes up an opportunity to pit us against each other.

But at our core, that is not who we are as a people. We are diverse and opinionated. And our freedoms allow us to openly and heatedly debate our differences in ways other nations discourage or even prohibit. But we are united by a common value. For while our nation may be divided on the best way to achieve equality of opportunity, we all believe in the goal of equality of opportunity.

And so it troubles us that now equal opportunity eludes too many of our people. But what we need are not leaders who will exploit this anxiety. We need leaders who will explain to us why this is happening to our people: because they do not have enough education and therefore they cannot find jobs, because so many are being raised in broken homes, and because too many face the challenges of providing for their children as single parents.

And we need leaders that provide us with answers that will address these problems by fixing our education system and improving our economy, by highlighting the importance of marriage and two parent homes, and by helping children raised in broken families and parents struggling with the burden of single parenting.

No plan to restore the American Dream is complete without addressing these things. We will never improve our people's economic wellbeing without also improving their moral and social wellbeing.

The challenge for those of us in politics is that, while our role is important, we alone cannot do this. There is no magic five point plan for restoring marriage. No innovative program that will instill

the value of education and hard work. No law we can pass to make men better fathers and husbands.

The ultimate responsibility for our social well-being rests on us as a people. What we do as parents, neighbors and members of a church, charity or community will often have a greater impact on our nation's future than what we do as voters or even as a Senator.

A strong America is not possible without strong Americans – a people formed by the values necessary for success, the values of education, hard work, strong marriages and empowered parents. These are values that made us the greatest nation ever, and these are the values that will lead us to a future even better than our past.

CHALLENGE SEVEN:

Reforms To Promote American Strength



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

- Increase our defense budget to Gates' FY2012 budget baseline
- Modernize equipment and force levels for the United States Navy, Air Force, Army, and Marine Corps
- Modernize America's intelligence capabilities
- Reform Military Personnel Policies and Benefits
- Innovate and invest in defending the battlefields of the cyber realm and outer space
- Innovate and invest in missile defense and nuclear technology

Rubio: "[F] oreign policy is domestic policy ... What happens across the planet can have a greater impact on your family than what happens down the street. ... Our people's interests and safety require defense capabilities so robust that they deter aggression and violence before they take hold around the world. So it should trouble all of us that our leaders have allowed the size of America's military, the modernity of its equipment, and the extent of its readiness to decline sharply in recent years."

"A strong national defense in the 21st century will require a defense agenda built for the 21st century – one that ensures the superiority of our technological advances, armed forces, and intelligence capabilities."

PROPOSALS TO MODERNIZE THE UNITED STATES ARMED FORCES

IDEA #30: INCREASE OUR DEFENSE BUDGET TO GATES' FY2012 BUDGET BASELINE

Rubio: "Our military must also be mindful of budgetary realities, but it is not the place to take costly short cuts. In fact, every time we try to cut a dollar, it seems to cost us three more just to make up for it. This is because the successes of all our nation's initiatives depend on the safety of our people and the ability of our global economy to function dependably."

- CHALLENGE: All in all, inflation-adjusted defense spending has declined 21 percent since 2010. Even if we discount the drawdowns in Iraq and Afghanistan, it has still declined a dangerous 12 percent. These cuts have threatened our readiness and diminished our strategic influence.
- SOLUTION: In 2011, then-Secretary of Defense Robert Gates outlined a budget for Fiscal Year 2012 that was forward thinking, strategy-driven, yet also fiscally sustainable. I agree with the bipartisan National Defense Panel's recommendation that we should, at a minimum, "return as soon as possible" to the Gates' FY2012 budget baseline.

IDEA #31: MODERNIZE THE UNITED STATES NAVY

Rubio: "Just in the last few months, we've seen the importance of naval superiority. We've deployed cruisers and destroyers to the Black Sea. We've used a carrier to conduct strikes against ISIL and ensure all options are on the table as we negotiate with Iran. And that says nothing of the Navy's daily work to maintain freedom of navigation, which allows global commerce to take place."

 CHALLENGE: The Bottom-Up review of 1993, which outlined the minimum force structure necessary to meet basic threats, recommended our Navy consist of about 345 ships. That was

- the minimum they recommended in 1993: a time of relative peace. But today, the Navy has only 289 ships and is on a path to 260 or less. This means the Navy is at pre-WWI levels.
- SOLUTION: We should return to the Gates budget's plan for at least 323 ships, and ensure that the carrier fleet remains at 11 and potentially raise it to 12, as well as examine what would be required to forward deploy a second carrier to the Pacific. Additionally, the Navy must fully fund their requirement to strategically disperse the carrier fleet on the East Coast to protect our capital ships, and ensure two nuclear capable homeports with quick access to the Mediterranean, Latin America and the Persian Gulf. We need to reverse cuts to our Navy cruisers and build at least two Virginia class submarines each year and ensure funding for the Ohio replacement program.

IDEA #32: MODERNIZE THE UNITED STATES AIR FORCE

Rubio: "It's essential that our Navy and Air Force have what they need, because they don't just service the blue parts of the earth – the sea and sky – they provide vital support to our Army and Marine Corps members stationed in countries around the world."

- CHALLENGE: Rubio: "[Our Air Force] is currently the smallest and most outdated it has ever been. Just two days ago, the Air Force Chief of Staff said, and I quote, 'airplanes are falling apart ... They're just flat [out] too old.' For this to happen now is terrible timing, since a reluctance to utilize ground forces means our reliance on air power is increasing."
- SOLUTION: America's F-35 program our best shot at maintaining air superiority since the F-22 was canceled has run into costly and unnecessary setbacks. As it is our only fifth generation fighter in production, this program is too important to abandon. Our Air Force will also need better ISR capabilities at the theater and strategic levels, a new tanker fleet, and a next generation bomber capable of both conventional and nuclear missions.

IDEA #33: MODERNIZE THE UNITED STATES GROUND FORCES

Rubio: "The men and women who serve in our armed forces stand on the front lines of freedom. They are a force to defend our people, but also a humanitarian force. ... And it is their families at home – moms and dads, spouses and children – who spend sleepless nights worrying. ... Yet by cutting forces, we have only compounded the challenge of their missions."

- CHALLENGE: *Rubio*: "The Army is set to be reduced to pre-World War II levels. ... Recent reductions to our Army and Marine Corps have risen from the dangerous illusion that America will never again have significant ground forces in combat. But as we've learned in Iraq, declaring wars over does not end them. Even as we continue to draw down in Afghanistan, for instance, we need a sizable force if we want to avoid repeating the mistakes of Iraq."
- SOLUTION: We need to reverse plans to reduce the Marine Corps and the Army below their pre-9/11 end-strengths of 182,000 and 490,000 respectively. But we also know our ground forces are not a panacea. They are most effective when used to pave the way for a comprehensive strategy, including involvement from our partners. A modernization effort for our ground forces must include strengthening our partnerships with nations that share our interests.

IDEA #34: MODERNIZE OUR NATION'S INTELLIGENCE BUDGET

Rubio: "Partnerships with other nations can reduce the sacrifices required of our troops – but there is another, even more effective means of doing so. ..."

• CHALLENGE: *Rubio*: "When our intelligence community is fully resourced, it is better positioned to identify potential threats before a single one of our troops or citizens is put at risk. Unfortunately, our intelligence capabilities have been badly damaged under this president, and will have to be rebuilt. When our capabilities are exposed by leaks from within the admin-

- istration and from traitors like Edward Snowden, we are endangered. When we cease collecting on legitimate targets, we reduce our awareness."
- SOLUTION: The men and women of the Intelligence Community are our front line of defense. Let's empower them to do their jobs by renewing our commitment to a sensible intelligence budget.

IDEA #35: MODERNIZE STANDARDS OF CARE, PERSONNEL POLICIES, AND BENEFITS FOR OUR ARMED FORCES

Rubio: "Whether our discreet intelligence officers or our heroes on the front lines of battle, the needs of every man and woman who defends this country should be of paramount concern to us all – and that includes their needs after their service."

- CHALLENGE: Rubio: "In the civilian workforce, career patterns and expectations about work are changing, but the military personnel system has failed to adapt accordingly. Our personnel policies must be geared toward recruiting and retaining the best and brightest. Right now, to get a pension through military service, you need to serve at least twenty years. That is unheard of in the private sector. ... We also face the difficult fact that a rising portion of the defense budget is going toward personnel costs."
- SOLUTION: We need deeper accountability and more choices for veterans. And for our men and women returning home from the battlefield, we need to make sure they have the best possible care available. We should explore ways to reform our benefit structures for future service members so they have more options, even if they don't make it to twenty years of service. We need to make benefit reform about more than just reducing benefits. Instead, we need a broader effort that makes military service more rewarding by offering additional choices for career paths and specializations.

PROPOSALS TO SPARK INNOVATION IN MILITARY INVENTORY AND TACTICS

IDEA #36: PROPERLY FUND MILITARY RESEARCH AND DEVELOPMENT

Rubio: "Modernization is essential to ensuring we prevail on the battlefield today, but there is a second goal to focus on if we are to succeed on the battlefield of tomorrow, and that's innovation. The brilliant minds at the helm of Research and Development for our armed forces are tasked with keeping us a step ahead of technological advances."

- CHALLENGE: Rubio: "[D]ue to a lack of funding, the U.S. has begun to fall behind the R&D cycles of other competitors, especially China. Our military still relies on war-fighting systems developed in the 1980s, like the Apache attack helicopter, the Bradley fighting vehicle, the Abrams tank, and the Patriot air-defense system. They may have been outfitted with new cutting edge armor and hardware upgrades, but the bones of today's ground-combat arsenal look remarkably similar to what President Reagan commissioned 30 years ago."
- SOLUTION: America has the best, brightest and most innovative minds in the world, so we must ensure a steady stream of resources to military R&D so that our troops will not be left with hand-me-downs. We must also maintain an adequate defense industrial base so we are able to produce the products that R&D develops. There are also procurement lessons to be learned from programs such as the F-35. The Pentagon must ensure that expensive errors and mission creep are avoided while holding private sector contractors to account.

IDEA #37: INNOVATE AND INVEST IN THE DEFENSE OF THE CYBER REALM

Rubio: "But the future of warfare will not only feature new weapons and equipment. It will feature entirely new fields of battle: first and foremost, the cyber realm."

- CHALLENGE: *Rubio*: "The FBI has warned that cyber-attacks are fast becoming the primary domestic threat to the United States. Our cyber superiority has been dwindling for the last decade."
- SOLUTION: The U.S. needs to make up for lost time by innovating and investing in new cyber security technologies. We must be prepared to defend not just our government's information, but also our private sector businesses and the personal information of the American people. Enemies should be just as afraid to hack into our servers as they are to lob bombs at our cities.

IDEA #38: INNOVATE AND INVEST IN THE DEFENSE OF OUTER SPACE

Rubio: "What was the stuff of science fiction just decades ago is now as real as it gets."

- CHALLENGE: *Rubio*: "Our military increasingly relies on space assets for command, communications, intelligence, surveillance, and reconnaissance. ... [S]ome nations are now attempting to militarize space. For example, China tested an anti-satellite missile in July."
- SOLUTION: It is critical that we modernize our assets to improve resiliency and maintain freedom of navigation, just as we have on the seas. Space will be a new battlefield in the 21st century, and we must not fall behind in funding and innovating in this realm.

IDEA #39: INNOVATE AND INVEST IN MISSILE DEFENSE AND NUCLEAR TECHNOLOGY

• CHALLENGE: While America has relaxed its efforts and innovation in the fields of missile defense, missile readiness, and nuclear technology, other nations have only quickened their pace. Proliferation of nuclear technology has already resulted in a destitute country like North Korea obtaining weapons, and Iran within reach of that goal. China has tested an anti-satellite missile.

• SOLUTION: We need to invest in missile defense by speeding up the deployment of interceptors in Europe and establishing a third site here in the U.S. We must partner with friendly nations such as Israel and continue developing technologies such as directed energy. We must also fully fund nuclear modernization efforts to stay well ahead of nations such as Pakistan, Russia, and China. The reductions advocated by President Obama should not proceed unless as part of a treaty subject to the advice and consent of the Senate.

REACTION TO SENATOR RUBIO'S PROPOSALS FOR BUILDING A STRONGER DEFENSE...

National Review's Roger Zakheim: "Rubio's Defense Speech: Fearless, Informed, and Refreshing" (Roger Zakheim, "Rubio's Defense Speech: Fearless, Informed, and Refreshing," National Review, 9/19/2014)

Roger Zakheim: "Fearless. That's the word to describe what you saw if you had a chance to watch Senator Marco Rubio deliver a major national security speech this week. Fearless in the national-security policy he supports, fearless of the political hurdles that may accompany his "peace through strength" agenda, and fearless for speaking at length (over forty minutes) on defense policy initiatives that are often left to wonks and analysts to discuss." (Roger Zakheim, "Rubio's Defense Speech: Fearless, Informed, and Refreshing," National Review, 9/19/2014)

- Zakheim: "Rubio made clear that strength is a precondition for peace not a driver of foreign entanglement." (Roger Zakheim, "Rubio's Defense Speech: Fearless, Informed, and Refreshing," *National Review*, 9/19/2014)
- Zakheim: "At its core, Senator Rubio explained in very direct terms that America cannot shrink from its role as a global leader."
 (Roger Zakheim, "Rubio's Defense Speech: Fearless, Informed, and

• Zakheim: "The policies the senator put forward were dramatic and specific... you heard from a politician who freely expressed what he believed. The result was a passionate defense of American strength that spoke clearly and directly to issues of military force, modernization, and innovation." (Roger Zakheim, "Rubio's Defense Speech: Fearless, Informed, and Refreshing," *National Review*, 9/19/2014)

American Enterprise Institute's Mackenzie Eaglen: "In a major public address earlier this week, Senator Marco Rubio (R-FL) offered a forceful endorsement of American strength, leadership and internationalism." (Mackenzie

Eaglen, "Why Sen. Rubio's vision for rebuilding US strength matters," American Enterprise Institute, 9/18/2014)

- Eaglen: "Speaking to an engaged and enthusiastic audience, Senator Rubio offered one of the strongest arguments yet in favor of what is quickly becoming a bipartisan consensus: the very military that underwrites global peace and prosperity is habitually underfunded and in urgent need of more resources." (Mackenzie Eaglen, "Why Sen. Rubio's vision for rebuilding US strength matters," American Enterprise Institute, 9/18/2014)
- Eaglen: "... Senator Rubio drew a clear connection between America's military strength, its leadership abroad and continued prosperity and economic growth here at home." (Mackenzie Eaglen, "Why Sen. Rubio's vision for rebuilding US strength matters," American Enterprise Institute, 9/18/2014)
- Eaglen: "Senator Rubio's speech was a clear call to action." (Mackenzie Eaglen, "Why Sen. Rubio's vision for rebuilding US strength matters," American Enterprise Institute, 9/18/2014)



THE SPEECH

"American Strength: Building 21st Century Defense Capabilities"
The Willard Hotel
Washington, D.C.
September 17, 2014

I join you today at a time of extraordinary upheaval around the world.

At the beginning of this year, many had never heard of ISIL – now the American people grieve the murder of two of our own journalists and the expanding arc of death and destruction across the Middle East at the hand of this terrorist group.

At the beginning of this year, many would have never guessed Russia would upend decades of regional balance and challenge European security – now we've seen a Russian invasion of Ukraine and innocent travelers murdered in the sky.

At the beginning of this year, few would have guessed this administration would abandon one of our closest allies in its time of need – now we've seen our president remain neutral while Hamas rained terror down on Israel.

And these are just three on a long list of global crises. Peaceful protestors in Venezuela continue to be met with violence from their own government, China continues its provocations in the South China Sea, innocent Syrians continue to be slaughtered at the whim of a tyrant – and the list goes on.

The American people watch these events unfold with growing concern. And today, a debate rages across the country, in the halls of Congress, and almost certainly among administration officials – but while the events fueling this debate are new, the debate itself is not.

Ever since the birth of our Republic, the proper strength of our military, and the proper application of that strength around the world, has been a point of contention among our people and our leaders.

There have always been those who argue that America shouldn't concern herself with the affairs of the world – that what happens an ocean away bears little relevance to our people.

Thankfully, there have also always been those who disagree – who argue that foreign policy is domestic policy, that our people's interests and safety require defense capabilities so robust that they deter aggression and violence before they take hold around the world.

George Washington was one such leader. When he delivered the first ever State of the Union address, he asserted the need for American Strength. "To be prepared for war," he said, "is one of the most effectual means of preserving peace."

But many in Congress disagreed. They assumed our hard-won independence meant the threats of the Old World had finally become irrelevant – that domestic issues could at last occupy our full focus. So against Washington's wishes, they cut our Navy's funding, leading it to be decommissioned.

The consequence of this move was devastating, and the lesson it taught our nation still applies today.

At that time, America's economy relied heavily on trade with Europe. But without a navy, our merchant vessels fell easy prey to a force of thievery and terror known as the Barbary Pirates.

Off the coasts of Africa and Europe, they attacked, killed, and enslaved our sailors. They plundered our ships and demanded exorbitant bribes, dealing a blow to our economy at home. But there was nothing we could do. America was defenseless.

Even after we re-commissioned our Navy and dispatched it across the Atlantic, it took two Barbary Wars and nearly 15 years to prove American Strength and secure safe passage for our ships.

America was dealt a hard lesson through this affair: we must be prepared for threats wherever they

arise, because our nation is never isolated from the world. Tremors in global affairs can fracture the foundations of our domestic economy.

This was true then, when our connection to the world was limited to a slow procession of merchant ships. It is even truer today, when our people don't need ships or even airplanes to do business with the world – they can do so from their living rooms with an iPad... or apparently now from the watch on their wrist!

Never before have our people and our economy been so connected to the world. What happens across the planet can have a greater impact on your family than what happens down the street.

But as it was in George Washington's time, the proper approach to global threats remains a sharply debated topic. In recent years, many Americans have come to oppose significant military engagements overseas, which is understandable. Too many have lost a child or a parent or a friend in Iraq and Afghanistan, and they question whether the outcome has been worth it.

But as threats have risen in recent months, our people appear more willing to engage abroad. What is unfortunate is that too many leaders in both parties, including our president and some who aspire to be president, have shown they would rather wait for poll numbers to change than demonstrate the leadership necessary to shape them.

Instead of outlining the costs of inaction to our people months ago when they should have, they were content to take the political path of least resistance. They advocated leaving our allies to fend for themselves. They proposed massive reductions to defense spending. And they tried to convince Americans the world would be fine without our leadership, or worse, that America would be fine regardless of the chaos the world devolved into.

All the while, those who oppose America have grown bolder than ever – and today they oppose us with more than a mere fleet of pirate ships.

Proliferation of nuclear technology has already resulted in a destitute country like North Korea developing nuclear weapons, and Iran within reach of that goal. Cyber warfare is wielded by enemies large and small. Russia and China are undergoing historic military modernization efforts. Terrorist groups such as ISIL are taking on the characteristics of states and advancing violently toward regional control.

Those who wish us harm work day and night to develop new means of threatening us. To defend ourselves, we must be more vigilant than they are dangerous.

National defense is not an area where we can flip a switch when a need suddenly arises. It takes forethought to design and many years to build the capabilities we may need at a moment's notice. So modernization, innovation, and training must be sustained priorities, even in times of relative peace.

This is necessary to defend our civilian population, but also our troops. Those of us in policymaking roles are responsible for equipping them to have the best possible chance of a successful mission and a safe return home.

Providing for the common defense is the highest responsibility of our elected leaders. Article One, Section Eight of the Constitution assigns 17 separate duties to Congress. Six deal exclusively with the national defense — more than any other area.

So it should trouble all of us that our leaders have allowed the size of America's military, the modernity of its equipment, and the extent of its readiness to decline sharply in recent years.

At the end of the Cold War, America's military was an unmatchable force: well built, well equipped, and uncontestable in its strategic influence. This was largely due to a historic buildup by President Reagan.

Like Washington, Reagan viewed the construction of a strong military not as a preparation for aggression, but as an action to prevent aggression. In his words, "A truly successful army is one that, because of its strength and ability and dedication, will not be called upon to fight, for no one will dare to provoke it."

Yet as the threat of the Cold War declined – mostly as a result of Reagan's buildup – our nation's appetite for investments in military power declined with it. This led to considerable cuts in the 1990s, which were made with the promise that modernization of our resources would remain a priority.

That was the promise. But the promise was broken.

During what many referred to as a "procurement holiday" under the Clinton administration, we both shrank the size of our armed forces and shifted away from modernizing our inventory. This happened just as emerging technologies were revolutionizing weapons capabilities around the world.

The result was that we failed to be prepared for the challenge that revealed itself on 9/11.

Now, make no mistake, America's military has always remained unmatched. But as we focused less and less on modernization, our adversaries scrambled to shrink the gap in strength. To put it another way, as our team's defense got weaker, the offense of other teams in the league became stronger.

No single president, no single party, and no single Congress has been solely at fault. But a striking shift has occurred at the hands of our current president.

The trend of declining American Strength had been largely incidental among previous administrations, but now it is an active priority. Previous presidents had merely taken their foot off the gas pedal of American Strength, but President Obama has stomped on the brake.

When he delivered his first inaugural address, instead of reassuring our allies, he spoke directly to America's enemies, indicating willingness – even eagerness – to change our nation's posture toward them. He said, "We will extend a hand if you are willing to unclench your fist."

Yet after taking office, he didn't wait for our enemies to change their posture before changing ours. Even as they clenched their fists tighter and tighter – continuing to threaten, target, even kill Americans – this administration was busy stripping parts from the engine of American strength.

First came defense cuts of \$487 billion over ten years. Then, adding insult to injury, the savings found in the defense budget were redirected to already bloated domestic programs.

Secretary Gates wrote in his memoirs about the extent to which he was forced to cut costs, saying, "[N]o other department had done anything comparable – even proportionally."

This was followed by tens of billions more in defense cuts each year through sequestration, despite the warnings of three Secretaries of Defense and our entire military leadership.

All in all, inflation-adjusted defense spending has declined 21 percent since 2010. Even if we discount the drawdowns in Iraq and Afghanistan, it has still declined a dangerous 12 percent.

The result of these cuts borders on frightening.

The Army is set to be reduced to pre-World War II levels. The Navy is at pre-WWI levels. And our Air Force has the smallest and oldest combat force in its history.

Some argue our equipment is more capable, so our force doesn't need to be as large. But the world is still the same size. Even the most advanced combat aircraft, ship, or soldier can only be in one place at a time.

Our force reductions have been felt throughout the world – by our friends and our enemies. They have presented not just a crisis of readiness for America, but also a perilous strategic weakness.

Our adversaries are emboldened by what they perceive as our diminished military presence. Look at the way Putin has scoffed at the president's modest attempts to impose sanctions. Or at the way Assad declined to take America's threats seriously, used chemical weapons on his own people, and still remains in power.

The president's foreign policy was once a failure – now it is simply non-existent. From Libya to Syria to Egypt to Ukraine, this administration simply shrugs as threats fester. When the administration

does act, it fails to communicate any consistent rationale for military use.

Worst of all, the president's foreign policy has let down the American people. It has done more than leave them vulnerable – it has dented their faith in the promise and power of the American ideal. The pride they once took in our global leadership has withered into uncertainty. The hope that America could fix international crises has turned to hope that we will stop making them worse.

This is largely because President Obama has failed the first test of leadership as Commander in Chief: outlining a clear and principled doctrine to our people.

Resulting events around the world have made it clear what a 21st century foreign policy doctrine should not look like. As for what it should look like, he's left the question for others to answer.

So today I'd like to outline an alternative consisting of three objectives.

First, we must recognize that in this globalized world, conflict breeds economic disruption. If a band of pirates were able to wreak havoc on our economy in the late 18th century, then ISIL, a nuclear Iran, an aggressive China or a resurgent Russia can certainly do so in the 21st. We must boldly oppose efforts by other nations to infringe upon the freedom of international waters, airspace, cyberspace, and outer space.

Second, we need to have moral clarity regarding what we stand for and why. This means reinforcing our alliances. It means resisting efforts by rising and resurgent powers to subjugate their neighbors. It means being unabashed in our support for the spread of economic and political freedom.

Third, we need American Strength. This is what I will focus the bulk of my remarks on today. It's an idea that stems from a simple truth: the world is at its safest when America is at its strongest.

America under this president has simply not been at its strongest. Waiting for our adversaries to unclench their fists so we can shake their hands has not proven a responsible or effective strategy. The "Don't do stupid stuff" approach has proven selfcontradictory.

We must instead demonstrate a strength in defense capabilities that, as President Reagan envisioned, leaves our enemies unwilling to provoke us.

But times have changed since Reagan's historic buildup. A strong national defense in the 21st century will require a defense agenda built for the 21st century – one that ensures the superiority of our technological advances, armed forces, and intelligence capabilities.

This begins with a willingness to allocate an appropriate amount of money toward our defense needs.

Make no mistake, the fiscal challenges facing our nation are daunting. In fact, I believe one of the greatest risks to our national security is our federal debt. But it's important to remember that defense spending is not the primary driver of that debt.

Defense makes up only about 16 percent of the federal budget and continues to decline. Social Security and Medicare, on the other hand, comprise a staggering 37 percent and rising. This is why I've proposed ways to reform these important entitlement programs to make them sustainable.

Our military must also be mindful of budgetary realities, but it is not the place to take costly short cuts. In fact, every time we try to cut a dollar, it seems to cost us three more just to make up for it. This is because the successes of all our nation's initiatives depend on the safety of our people and the ability of our global economy to function dependably.

In 2011, then-Secretary of Defense Robert Gates outlined a budget for Fiscal Year 2012 that was forward thinking, strategy-driven, yet also fiscally sustainable. I agree with the bipartisan National Defense Panel's recommendation that we should, at a minimum, "return as soon as possible" to the Gates' FY2012 budget baseline, which we are on track to be around \$1 trillion short of through FY2022.

To get moving in this direction, I urge the president to make a request to Congress for additional funding for our military above the amount he requested in February.

Getting back on track toward a defense budget based on strategy, not math – as Secretary Gates once put it – will allow us to achieve our two vital objectives for national defense: modernization and innovation.

Modernization means making sure America's military is on the cutting edge today; innovation means making sure we remain there tomorrow. Modernization is step one, because before we worry about preparing for the future, we have to ensure we survive the present.

A force size that reflects current global realities is an essential step toward modernization. Yet as we've discussed, our armed forces are presently stuck at World War I and World War II levels. This means we haven't just failed to modernize – in some cases, particularly force levels, we've actually regressed.

This may have gone largely unnoticed in America, but it sure hasn't among our adversaries. China, in particular, is sprinting up behind us, rapidly closing the gap in readiness and strength, and now America must run faster than ever just to maintain our current level of superiority. For the first time ever, we are reacting to China's advances in capabilities rather than having China react to ours.

To reverse this, our modernization efforts must be swift, decisive, and focused on five key areas.

First, our Navy.

Just in the last few months, we've seen the importance of naval superiority. We've deployed cruisers and destroyers to the Black Sea. We've used a carrier to conduct strikes against ISIL and ensure all options are on the table as we negotiate with Iran. And that says nothing of the Navy's daily work to maintain freedom of navigation, which allows global commerce to take place.

The Bottom-Up review of 1993, which outlined the minimum force structure necessary to meet basic threats, recommended our Navy consist of about 345 ships. That was the minimum they recommended in 1993: a time of relative peace. But today, the Navy has only 289 ships and is on a path to 260 or less.

The National Defense Panel was correct to recommend we return to the Gates budget's plan for 323 ships, or perhaps more if threats in Asia and the Middle East continue to mount. We should also ensure that the carrier fleet remains at 11 and potentially raise it to 12, as well as examine what would be required to forward deploy a second carrier to the Pacific.

Additionally, the Navy must fully fund their requirement to strategically disperse the carrier fleet on the East Coast to protect our capital ships, and ensure two nuclear capable homeports with quick access to the Mediterranean, Latin America and the Persian Gulf.

Our Navy cruisers have been subjected to unprecedented cuts under recent Obama budgets. Of our 22 current cruisers, 11 are scheduled to have their operating status reduced. We need to reverse this immediately.

Matters below the ocean's surface also require our attention. Our submarine fleet is declining while China's is advancing. We currently have 55 attack submarines, but that could fall as low as 41 by 2030. We need to build at least two Virginia class submarines each year and ensure funding for the Ohio replacement program.

The second focus for our modernization efforts should be our Air Force, which tomorrow celebrates its 67th anniversary.

As I mentioned earlier, it is currently the smallest and most outdated it has ever been. Just two days ago, the Air Force Chief of Staff said, and I quote, "airplanes are falling apart ... They're just flat [out] too old."

For this to happen now is terrible timing, since a reluctance to utilize ground forces means our reliance on air power is increasing.

As we speak, Russia and China are hard at work on fifth generation fighters, which will likely

be exported to other countries, while America's F-35 program – our best shot at maintaining air superiority since the F-22 was canceled – has run into unnecessary setbacks. As it is our only fifth generation fighter in production, this program is too important to abandon.

Our Air Force will also need better ISR capabilities at the theater and strategic levels, a new tanker fleet, and a next generation bomber capable of both conventional and nuclear missions.

It's essential that our Navy and Air Force have what they need, because they don't just service the blue parts of the earth – the sea and sky – they provide vital support to our Army and Marine Corps members stationed in countries around the world.

This brings me to our third focus for modernization: our ground troops.

The men and women who serve in our armed forces stand on the front lines of freedom. They are a force to defend our people, but also a humanitarian force. For example, the 3,000 troops being deployed to Africa as we speak to confront the scourge of Ebola.

And it is their families at home – moms and dads, spouses and children – who spend sleepless nights worrying. We owe it to them to make our troops the best equipped, best trained and most modern fighting force possible. Yet by cutting forces, we have only compounded the challenge of their missions.

Recent reductions to our Army and Marine Corps have risen from the dangerous illusion that America will never again have significant ground forces in combat. But as we've learned in Iraq, declaring wars over does not end them. Even as we continue to draw down in Afghanistan, for instance, we need a sizable force if we want to avoid repeating the mistakes of Iraq.

We need to reverse plans to reduce the Marine Corps and the Army below their pre-9/11 end-strengths of 182,000 and 490,000 respectively.

That said, we know our ground forces are not a panacea. They are most effective when used to pave the way for a comprehensive strategy, including involvement from our partners. A modernization effort for our ground forces must include strengthening our partnerships with nations that share our interests.

Partnerships with other nations can reduce the sacrifices required of our troops – but there is another, even more effective means of doing so.

One that involves our fourth focus for modernization: our intelligence capabilities.

When our intelligence community is fully resourced, it is better positioned to identify potential threats before a single one of our troops or citizens is put at risk. Unfortunately, our intelligence capabilities have been badly damaged under this president, and will have to be rebuilt.

When our capabilities are exposed by leaks from within the administration and from traitors like Edward Snowden, we are endangered. When we cease collecting on legitimate targets, we reduce our awareness.

The men and women of the Intelligence Community are our front line of defense. Let's empower them to do their jobs by renewing our commitment to a sensible intelligence budget.

Whether our discreet intelligence officers or our heroes on the front lines of battle, the needs of every man and woman who defends this country should be of paramount concern to us all – and that includes their needs after their service.

Our fifth and final focus for modernization must be our standards of care, personnel policies, and benefits for our armed forces.

I've been proud to help lead the effort in the Senate for accountability from the Department of Veterans Affairs. But more needs to be done. We need deeper accountability and more choices for veterans. And for our men and women returning home from the battlefield, we need to make sure they have the best possible care available – not just for the visible wounds but also the wounds we cannot see.

In the civilian workforce, career patterns and expectations about work are changing, but the military personnel system has failed to adapt accordingly. Our personnel policies must be geared toward recruiting and retaining the best and brightest.

Right now, to get a pension through military service, you need to serve at least twenty years. That is unheard of in the private sector. We should explore ways to reform our benefit structures for future service members so they have more options, even if they don't make it to twenty years of service.

We also face the difficult fact that a rising portion of the defense budget is going toward personnel costs. We must address this to ensure that we don't end up with a military like some of our European allies, with plenty of personnel but no ability to train or equip them.

I look forward to hearing the recommendations of the bipartisan commission currently examining this challenge, but I think we need to make this about more than just reducing benefits. Instead, we need a broader reform effort that makes military service more rewarding by offering additional choices for career paths and specializations.

Modernization is essential to ensuring we prevail on the battlefield today, but there is a second goal to focus on if we are to succeed on the battlefield of tomorrow, and that's innovation.

The brilliant minds at the helm of Research and Development for our armed forces are tasked with keeping us a step ahead of technological advances. But due to a lack of funding, the U.S. has begun to fall behind the R&D cycles of other competitors, especially China.

Our military still relies on war-fighting systems developed in the 1980s, like the Apache attack helicopter, the Bradley fighting vehicle, the Abrams tank, and the Patriot air-defense system. They may have been outfitted with new cutting edge armor and hardware upgrades, but the bones of today's ground-combat arsenal look remarkably similar to what President Reagan commissioned 30 years ago.

Meanwhile, the future of warfare is here in the form of new classes of submarines, faster and more discreet stealth drones, and robotic tools capable of reducing human presence in battle.

America has the best, brightest and most innovative minds in the world, but without a steady stream of resources to military R&D, our troops will be left with hand-me-downs. And unless we maintain an adequate defense industrial base, we won't be able to produce the products that R&D develops.

There are also procurement lessons to be learned from programs such as the F-35. The Pentagon must ensure that expensive errors and mission creep are avoided while holding private sector contractors to account.

But the future of warfare will not only feature new weapons and equipment. It will feature entirely new fields of battle: first and foremost, the cyber realm.

The FBI has warned that cyber-attacks are fast becoming the primary domestic threat to the United States. Our cyber superiority has been dwindling for the last decade, and now the U.S. needs to make up for lost time. Enemies should be just as afraid to hack into our servers as they are to lob bombs at our cities.

In addition to the cyber realm, we must innovate in the new battlefield of space. What was the stuff of science fiction just decades ago is now as real as it gets.

Our military increasingly relies on space assets for command, communications, intelligence, surveillance, and reconnaissance. It is critical that we modernize our assets to improve resiliency and maintain freedom of navigation, just as we have on the seas, because some nations are now attempting to militarize space. For example, China tested an anti-satellite missile in July.

To further protect against such threats, we need to invest in missile defense by speeding up the deployment of interceptors in Europe and establishing a third site here in the U.S. We must partner with friendly nations such as Israel and continue developing technologies such as directed energy.

Finally, we need to fully fund nuclear modernization efforts to stay well ahead of nations such as Pakistan, Russia, and China. The reductions advocated by President Obama should not proceed unless as part of a treaty subject to the advice and consent of the Senate.

Let me close by saying that one of my greatest honors as a United States Senator is working with our men and women in uniform. From Florida – which is home to over twenty military installations – to Afghanistan to Japan, from the front lines of warfare to the waiting lines of the VA, I've gotten to represent the interests of the men and women who form the muscle of American Strength.

I've heard their stories. Witnessed the sacrifices they and their families make. Seen the pain in the eyes of families who have lost loved ones. And walked through the cemeteries where our fallen now rest.

But I've also seen the fruits of these sacrifices.

I've talked to Filipino Typhoon survivors who knew that an American carrier over the horizon meant food, water, and survival.

I've talked to Japanese and South Koreans who knew that an enduring U.S. presence had allowed their nations to prosper.

I've talked to Europeans convinced that America's role as a security guarantor had prevented conflict on what had been a blood-soaked continent for centuries.

I've spoken to entrepreneurs and business leaders in our own country who have created thousands of American jobs because of the peace and security our military has ensured for the global marketplace.

But increasingly in recent years, I've also met those who wonder whether the United States remains dedicated to the objectives of a safe and stable world.

These doubts could not come at a more significant moment in global affairs.

Seeds of unrest have been sown around the world. Rising and resurgent powers are blustering and testing the boundaries of geo-political order. Leaders of unstable and aggressive nations are devoting unprecedented resources toward their militaries. Depraved jihadists are gaining in strength and influence, the twisted minds of their leaders brimming with dreams of spreading terror to America.

Our history has shown time and again – from Washington's era, to that day of infamy in 1941, to the shadow of terror that fell on us 13 years ago – that ignoring threats such as these is as impossible as it is unwise.

America cannot avoid its role as a global leader. We are a global hub – a central point for travel, commerce, economic production, and international culture. People from all over the world pass through our nation every day, and our own citizens stretch out across the globe to travel and conduct business.

But we also know America cannot be tasked with protecting the global economy on our own. It will take an international order of free nations with free economies to do so. Other nations must step forward, but no other nation has the ability to organize or lead such a coalition if we fail to do so.

The world needs American Strength just as much as our people and our economy do. No other nation can deter global conflict by its presence alone. No other nation can offer the security and benevolence that America can. No other nation can be trusted to defend peace and advance liberty.

The proposals I have outlined today will allow us to achieve these objectives. They will ensure that America's light shines on, into the face of whatever evil looks our way this century. And that our armed forces – their bravery and skill unmatched – are equipped to meet the growing and changing forces that never cease to threaten our people, our allies, and our sacred principles of freedom and opportunity for all.

CHALLENGE EIGHT:

Reforming America's Health Care System



SENATOR RUBIO'S PROPOSALS AT A GLANCE:

Restoring Choice and Reforming Health Care For All is built on the principles of patient-centered health care: choice, competition, security and transparency. The costly mandates, price- controls, tax hikes, and bureaucratic hurdles that define the President's flawed health care law are repealed in full. This proposal puts families and patients in control of their health care decisions, not bureaucrats in Washington. Insurance companies will compete against each other for our businesses instead, increasing quality and decreasing costs. This plan makes the tax code fairer by providing all Americans with the ability to afford purchase coverage on a tax-preferred basis. It protects the most vulnerable among us ensuring they have access to the coverage the need and it puts critical safety net programs like Medicare and Medicaid on a sustainable path. Together, this plan will fundamentally change the course of our nation's health care system, creating the space for costs to come down and quality of care to increase.

- Provides an advanceable, refundable credit that all Americans can use to purchase health insurance. Adjusted for age, this plan would provide fully advanceable, refundable tax credits averaging \$2,000 and \$5,800 for individual and family plans respectively. The value of these credits would increase every year, growing at a rate of inflation plus one percent. At the same time, the plan sets the tax preference for employer-sponsored insurance on a glide path to ensure that it will equal the level of the credits at the end of the decade. This will prevent large-scale disruptions and reform one of the most significant distortions in our tax system.
- Reforms insurance regulations to encourage innovation. This plan repeals the President's costly health care law and replaces it with consumer-friendly reforms that will reduce costs and protect patients. Those with pre-existing conditions will be able to find coverage through their state's federally-supported, actuarially-sound high risk pools. Americans living in high-cost states will have the opportunity to purchase coverage across state lines. And consumercentered products like health savings accounts will be expanded. Together, these reforms will lower costs for Americans.
- Puts Medicare and Medicaid on sustainable paths. Our nation's expanding debt is being driven by our entitlement programs. Without reforms, these critical programs won't be available for those that need them. This plan moves Medicaid into a per-capita cap system, preserving funding for Medicaid's unique populations while freeing states from Washington mandates. Medicare transitions into a premium support system, empowering seniors like Medicare Advantage and the Part D benefit do today.